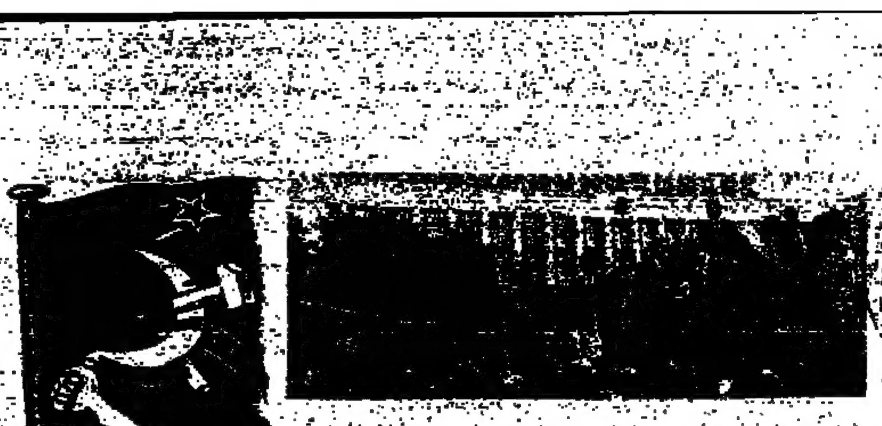


Unfinished revolution

Russia one year after the Soviet coup

Page 3

Greens on the green

Golf courses and the environment

Page 10

Freight in flight

Why air cargo rates have plummeted

Page 13

FINANCIAL TIMES

Wednesday August 19 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Thousands could perish in Bosnian winter, UN warns

Thousands of people in the war zone of Bosnia-Hercegovina could perish in the bitter conditions of the coming winter unless conditions improve rapidly, the UN said. Up to 2m people are at risk following destruction of their homes and the imprisonment of thousands in detention camps. Page 14

Germany's Bundesbank is intensifying its attack on the Bonn government's economic policies in east Germany, claiming that large subsidies there are stoking inflation and urging that they should be cut. Page 14; Bundesbank defends rate increase, Page 2

Abu Dhabi lays fraud charges over BCCI: Abu Dhabi has laid preliminary fraud charges against 14 former executives of the Bank of Credit and Commerce International and intends to hold a formal trial in the emirate. In the first press interview given by the Abu Dhabi majority shareholders in BCCI since the bank was closed in July 1991, Ahmed Al-Sayegh, an official investigating the affair, said Abu Dhabi intended to give all the former BCCI officers it had detained a fair trial. Page 14; Abu Dhabi defends BCCI rescue package, Page 9

Somalia airlift: The International Red Cross has begun a helicopter airlift from ships lying offshore to thousands of Somali famine victims in the north. In Mogadishu, US officials said a US military airlift of food would start on Thursday in an operation to be run in co-operation with UN relief agencies. Page 4

Australian expansionary budget: Australia's Labor government announced a budget designed to promote economic growth and create jobs before the next election, due by mid-1993. A temporary stimulus of A$4.5bn ($3.3bn) over the next two years to help create hundreds of thousands of jobs is planned. Page 14

US: President George Bush is promising to pull no punches in his re-election campaign against Governor Bill Clinton of Arkansas. Page 6

Brazil corruption scandal: Evidence uncovered means impeachment proceedings against Brazil's President Fernando Collor are "inevitable", the head of a congressional panel investigating government corruption said. Page 6

Georgia sends in troops: Georgian troops moved into Sukhumi, Black Sea resort and capital of the breakaway Abkhazian region, quickly seizing control of government and communication centres as thousands of residents and holidaymakers fled. Page 2

Stalin's foreign prisoners: More than 2,000 foreigners from 31 countries were kept in Siberian labour camps during Soviet dictator Josef Stalin's reign, Russia's security ministry said.

Mannesmann, the German engineering group, reported an 89 per cent slump in first-half profits, putting most of the blame on launch costs for its D2 Mobilfunk mobile telephone network. Page 15; Lex, Page 14

SmithKline Beecham, Anglo-US pharmaceuticals and consumer products group, is to join up with Marion Merrell Dow to develop and market over-the-counter non-prescription medicines in the US. Page 15

Efim banks talks: Italian treasury officials and foreign bank creditors of Efim, the state holding company put into voluntary liquidation last month, are to meet in London next week to try to resolve severe differences over how to treat the group's large borrowings. Page 16

Sedgwick, the UK's second biggest insurance broker, blamed a sharp and unexpected deterioration in trading conditions in the US and falling interest rates for disappointing profits at Sedgwick. Page 16

Passports to Jordan: US passports bearing Israeli stamps are now accepted by Jordan, according to an US consular official.

Burmese refugees: Up to 10 people were killed when police fired on Burmese refugees at a camp in south-eastern Bangladesh.

Green fridge: Germany's Treuhand privatisation agency said it would finance production of a refrigerator which operates without ozone-killing chlorofluorocarbons, made in eastern Germany.

STOCK MARKET INDICES

FT-SE 100:	2,354.7	(−21.4)
Yield	5.11	
FT-SE Eurotrack 100	1,035.74	(−9.28)
FT-A All-Share	1,119.35	(−0.8%)
Nikkei	14,309.41	(−620.14)
New York Lunchtime:		
Dow Jones Ind Ave	3,331.87	(+6.48)
S&P Composite	421.17	(+0.43)

US LUNCHTIME RATES

Federal Funds:	3 5/16%
3-mo Treas Bills: Yld	3.127%
Long Bond	99 1/32
Yield	7.320%

LONDON MONEY

3-mo Interbank	10 7/32	(same)
Liffe long gilt future:	Sep 97 11/16	(Sep 97 23/32)

NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$20.825	(same)

Gold

New York Comex (Aug)	$335.8	(336.9)
London	$336.15	(337.3)

STERLING

New York Lunchtime:		
$	1.9385	
London:		
$	1.9295	(1.926)
DM	2.8125	(2.8175)
FFr	9.5425	(9.5525)
SFr	2.53	(2.5325)
Y	243.5	(242.25)
£ Index	91.9	(91.8)

DOLLAR

New York Lunchtime:		
DM	1.458	
FFr	4.943	
SFr	1.31	
Y	126.175	
London:		
DM	1.458	(1.463)
FFr	4.954	(4.96)
SFr	1.311	(1.315)
Y	126.25	(125.75)
$ Index	60.6	(same)
Tokyo close Y 126.18		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

UK commits forces to Gulf and Bosnia

By Philip Stephens in London and Roger Matthews in Washington

MR JOHN MAJOR last night signalled that Britain would contribute six Tornado fighter aircraft to help enforce an air exclusion zone in southern Iraq and up to 1,800 troops to escort humanitarian aid convoys in Bosnia.

After a six-hour meeting between the prime minister and his senior ministers in London, British officials said the "no-fly" zone over the beleaguered Shia community in southern Iraq would be announced "within days".

A senior official said the details would be communicated to the Iraqi ambassador to the United Nations after which: "If we find the Iraqi air force in southern Iraq, we will shoot it down". The six Tornados, equipped for reconnaissance and fighting, and two tanker aircraft would be part of a "round the clock" allied air presence in southern Iraq.

Mr Major, who broke off his holiday to chair the emergency talks, signalled that the commitment of a maximum of 1,800 British forces personnel to Bosnia did not represent a reversal of his opposition to direct western involvement in the conflict in the former Yugoslav Republic.

The personnel, who would form part of an enlarged United Nations force in the region, would be involved only in escorting aid convoys which were operating with the consent with the warring factions. The senior official emphasised repeatedly that there was no question of the troops being used to "fight" a way through to besieged towns.

Britain's decision to commit Tornados to the Gulf came as officials in Washington said the US was not planning to seek any fresh mandate from the United Nations Security Council before enforcing a ban on Iraqi aircraft flying south of the 32nd parallel.

They believe Security Council resolutions passed at the end of the Gulf war are worded broadly enough to allow military action in defence of the groups persecuted by the Baghdad regime. However, the US is still consulting its allies, both on this point and on the correct response to ensure Iraqi compliance with the resolutions. The ban would be imposed to prevent President Saddam Hussein's air force from attacking Shia rebels who have come under intensified military pressure from Baghdad in recent weeks. US officials say they have detected a large buildup of Iraqi troops in the south.

However, a senior Arab diplomat warned in Washington yesterday that an air exclusion zone over southern Iraq would be of only limited value to the Shias.

Editorial comment, Page 12

Tokyo reacts to shares slide with measures to restore business confidence

Japan acts to support banks

By Steven Butler and Emiko Terazono in Tokyo

THE JAPANESE government moved to restore confidence in the country's banking system and securities markets yesterday after share prices in Tokyo plunged by 4.2 per cent to their lowest level in six years.

In a hastily called press conference, Mr Tsutomu Hata, finance minister, announced a series of measures aimed at discouraging financial institutions from selling shares during the next six weeks.

Many banks were expected to try to realise capital gains on share holdings during this period to boost reported profits in the first half of the financial year, which ends next month.

The finance ministry feared that such sales would further depress share prices and undermine bank balance sheets. Banks face a huge burden of bad debt, potentially as high as Y56,000bn ($440bn), according to unofficial estimates.

Mr Hata said Japan's financial system was facing its most difficult period since the second world war, giving rise to questions about its stability and capacity to supply capital.

"The fall in the stock market is pushing up valuation losses on stock holdings, and the malfunctioning of the real estate market has triggered concerns over the health of the financial system," he said.

Mr Hata's statements are the frankest admission yet by the government that the plunge in share and property prices, combined with the sharp economic slowdown, may have placed Japan's financial system in jeopardy. Continued instability in the financial system could derail any potential recovery.

Mr Hata denied that announcement of the measures was timed to follow yesterday's steep fall in share prices, which saw the Nikkei average lose 628.14 to 14,309.41. Prices fell as pessimism spread about the outlook for corporate earnings.

The measures will allow financial institutions to postpone the reporting of unrealised losses on share holdings until the end of the financial year in March. This will reduce short-term pressure on banks to realise capital gains by selling other shares to compensate for losses.

In addition, the finance ministry has temporarily suspended an administrative guidance to institutions under which the dividend payout ratio could not exceed 40 per cent of profits. This will allow banks to maintain dividend payments without having to raise money by selling shares.

Mr Tsueno Wakai, chairman of the Federation of Bankers Associations, welcomed the measures and hoped they would ease doubts about the stability of the banking system. He nonetheless called for further measures to cope with the banks' huge volume of non-performing loans.

Mr Gaishi Hiraiwa, chairman of the Keidanren, the leading business federation, called for government money to be used to purchase land which banks are holding as collateral for bad loans.

The finance ministry programme touched on these questions, but offered nothing concrete. Yesterday's moves are to be followed later this month by a package of fiscal measures that could pump between Y6,000bn and Y8,000bn into the economy, in part through public works spending.

Prospects for economic recovery are increasingly bleak. The Industrial Bank of Japan said yesterday that excessive inventories of unsold goods were unlikely to reach normal levels until the second quarter of 1993.

Hands on policy: Mr Tsutomu Hata, Japan's finance minister, announced steps intended to stem a sharp fall in stock prices

■ Sense of urgency Page 4
■ Editorial comment Page 12
■ Lex, Page 14
■ World stocks Back Page, Section II

Wang files for protection in US and plans to shed jobs

By Nikki Tait in New York

WANG Laboratories, the US company which wrought a revolution in office life by inventing computerised word processing, yesterday filed for protection from its creditors under Chapter 11 of the US Bankruptcy Code.

In a last-ditch effort to survive, Wang plans to make about 5,000 employees redundant during the next 30 days – reducing its workforce to about 8,000.

Mr Richard Miller, chairman, said Wang's aim was to focus on big service business and the development and sale of software, and to shrink manufacturing operations.

The objective, he said, was to become "a smaller, more focused and more competitive company, with revenues of about $1.4bn, compared with $1.9bn now".

Wang will, however, continue to do the final assembly of its VS minicomputers, and sell computers made by others, including International Business Machines.

The company's future has been uncertain for several years. It was immensely successful throughout the 1970s with its proprietary minicomputer systems. However as chip technology developed the industry's focus shifted to smaller personal computers, and users were no longer required to lock into proprietary hardware and software.

Wang reacted slowly to the changing environment, and losses and debts started to mount. Dr An Wang, a Chinese immigrant who founded the company in 1951, had contracted cancer and brought in Mr Miller, previously head of General Electric's consumer electronics business, as chief executive in 1989. Mr Miller said yesterday that a Chapter 11 petition had already been drawn up, although he said that he subsequently tried to sell the company to avoid bankruptcy.

Wang negotiated a marketing and development alliance with IBM a year ago – the larger company providing some funding.

Restructuring costs, however, compounded the financial problems, with the result that total debt at March 31 reached $540m – more than ten times the company's 1991 net worth.

The Massachusetts-based company yesterday announced an after-tax loss of $139.2m in the year to June 30, with a $116.3m deficit in the final quarter. This compares with a $385.5m loss in the previous 12 months, and was struck after restructuring costs

Continued on Page 14
American dream turns sour, Page 17

Sponsors steer clear of Soviet coup festivities

By Leyla Boulton in Moscow

ATTEMPTS to win private-sector backing for celebrations in Moscow marking the defeat of the Soviet coup a year ago have ended in chaos.

The organising committee, taking into account the dire state of Russia's finances, sought sponsorship for the festivities from the many private businesses established since the Soviet grip on the economy was loosened.

The committee asked a private company to take on the task of finding sponsorship for the estimated Rbs70m-90m cost of the "Vivat Rossiya" (Long live Russia) celebrations.

But the company failed to deliver, blaming the lack of a role for a principal sponsor and the absence of an interest-free loan from the state.

Mr Grigory Andreyev, a member of the organising committee, said an afternoon of band music and entertainment scheduled for Red Square on Saturday was one of the casualties.

He said the celebrations were important because "we still hope that what started in August will prevail...that democracy and freedom will prevail".

While the state as usual is expected to stump up some money at the last minute, recriminations are rife over who is responsible for the debacle.

The director of one Moscow advertising agency, who claimed he stood on the barricades last year, said he had advised his clients against providing finance because there was no slot for a principal sponsor.

Still to go ahead are a voluntary gathering tonight of people who "defended" President Boris Yeltsin's "White House" against Soviet army tanks, as well as a rally attended by Russian leaders tomorrow. There will also be a service tomorrow in memory of the three young people who died as a result of tanks rumbling through Moscow.

In St Petersburg, Russia's second largest city, the celebrations will be safely financed by a Rbs800,000 grant from the city budget. Although the prospect of

Continued on Page 14
A year after the coup, Page 3

CONTENTS

Bundesbank defends rate increase

By David Waller in Frankfurt

THE Bundesbank has delivered a ringing justification of last month's decision to raise the discount rate by 0.75 points to 8.75 per cent, and emphasised that the German inflation outlook is still far from bright.

In its monthly report issued today the Bundesbank makes a sternly orthodox defence of its monetary policies. It appears to be partly aimed at lowering expectations of an early easing of credit policies following last month's fall in the "headline" inflation rate.

Insisting that the underlying level of German inflation – at around 4 per cent – is still too high, the Bundesbank said that tolerance of inflation at current levels would damage German economic prospects. This applied especially in eastern Germany, where higher inflation would damage the outlook for investment and jobs.

The Bundesbank's unbending stance on inflation supports the view that the central bank will remain reluctant to carry out large-scale intervention to support the dollar at its current low levels.

Analysts have suggested that the Bundesbank's half-hearted participation in dollar support operations reflects its conviction that a strong D-Mark helps bring down inflation.

On last month's 0.75 points interest rate rise, the bank said: "Had we delayed, there would have been negative consequences." This would have involved the risk of "losing the credibility" of its policy of monetary stability.

Despite signs of a German economic downturn, the Bundesbank argued that it was not taking any "indefensible risks" with the German economy.

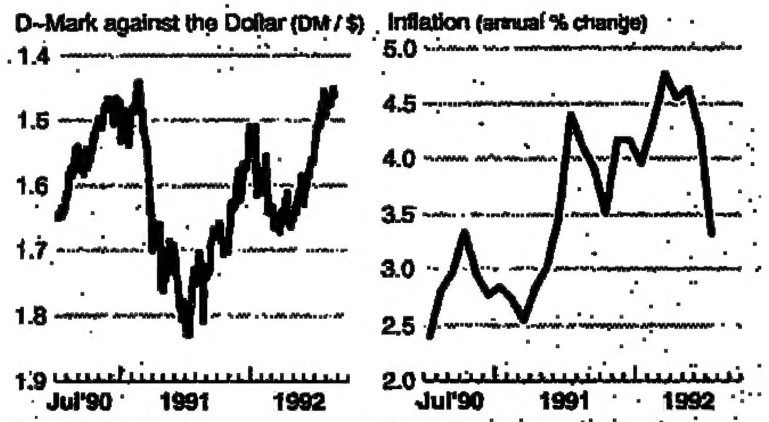
As for European partners which have complained about the Bundesbank's policies, the bank said further currency integration would be helped by a convergence of inflation at the lowest possible level.

It said there was no justification for growth in money supply substantially above the 3.5 to 5.5 per cent target range, even though a number of special factors help to explain this year's overshooting.

"There is no question that [the outlook for] money supply growth is too strong in the medium-term", the Bundesbank said. In May and June money supply growth ran at 8.8 and 8.7 per cent respectively and analysts are expecting the figure for July, to be published in the next week, to be around 8.4 per cent.

The outlook for inflation is still a cause for concern, especially because of this year's wage rises and introduction of higher value added tax next January, the Bundesbank said.

The link between the DM and inflation



Source: FT Graphic   Source: Datastream

Germany a step closer to car recycling

GERMAN Environment Minister Klaus Töpfer yesterday presented a draft regulation which would make it compulsory for car makers to take back their old cars when they are ready for the scrap heap, Reuter reports from Bonn.

Under the draft, German motorists would be entitled to return their old cars and lorries free of charge to their dealer for disposal or recycling. "In the past, the emphasis was on developing, making and marketing cars," said. "In future, anyone who produces and markets vehicles should also be made responsible for their disposal."

The ministry said the regulation, which must be approved by the cabinet, would apply to German as well as foreign manufacturers selling vehicles in Germany, which is Europe's biggest car market with 36m registered cars.

The order is aimed primarily at cars registered after it comes into effect some time next year. Older cars would be exempt if the manufacturer's costs for their disposal exceeded the value of their reused parts. Cars crushed in an accident would also be exempt if uneconomical to recycle.

About 2.6m cars are scrapped annually in Germany, most ending up in crushing plants. While 75 per cent of metal parts are recycled, components made of plastic and glass, around 450,000 tonnes a year, are usually dumped.

Green fridge wins backing of Treuhand

Germany's Treuhand privatisation agency said yesterday it would finance production of a so-called "green fridge", a refrigerator which operates without ozone-killing chlorofluorocarbons (CFCs). Reter reports from Berlin. Environmentalists have campaigned for months to save the DKK Scharfenstein company in eastern Germany from liquidation by gathering 65,000 orders for the refrigerator.

Treuhand board member Ludwig Traenkner told reporters that DKK would still go into liquidation but that the government agency would pay for 405 out of 1,800 workers to make the new product. The remainder would go onto work-creation schemes.

The fridge's secret is a coolant based on a mixture of propane and butane, as opposed to chlorine and fluorine. The Treuhand was sceptical but was pushed into supporting it by Bonn.

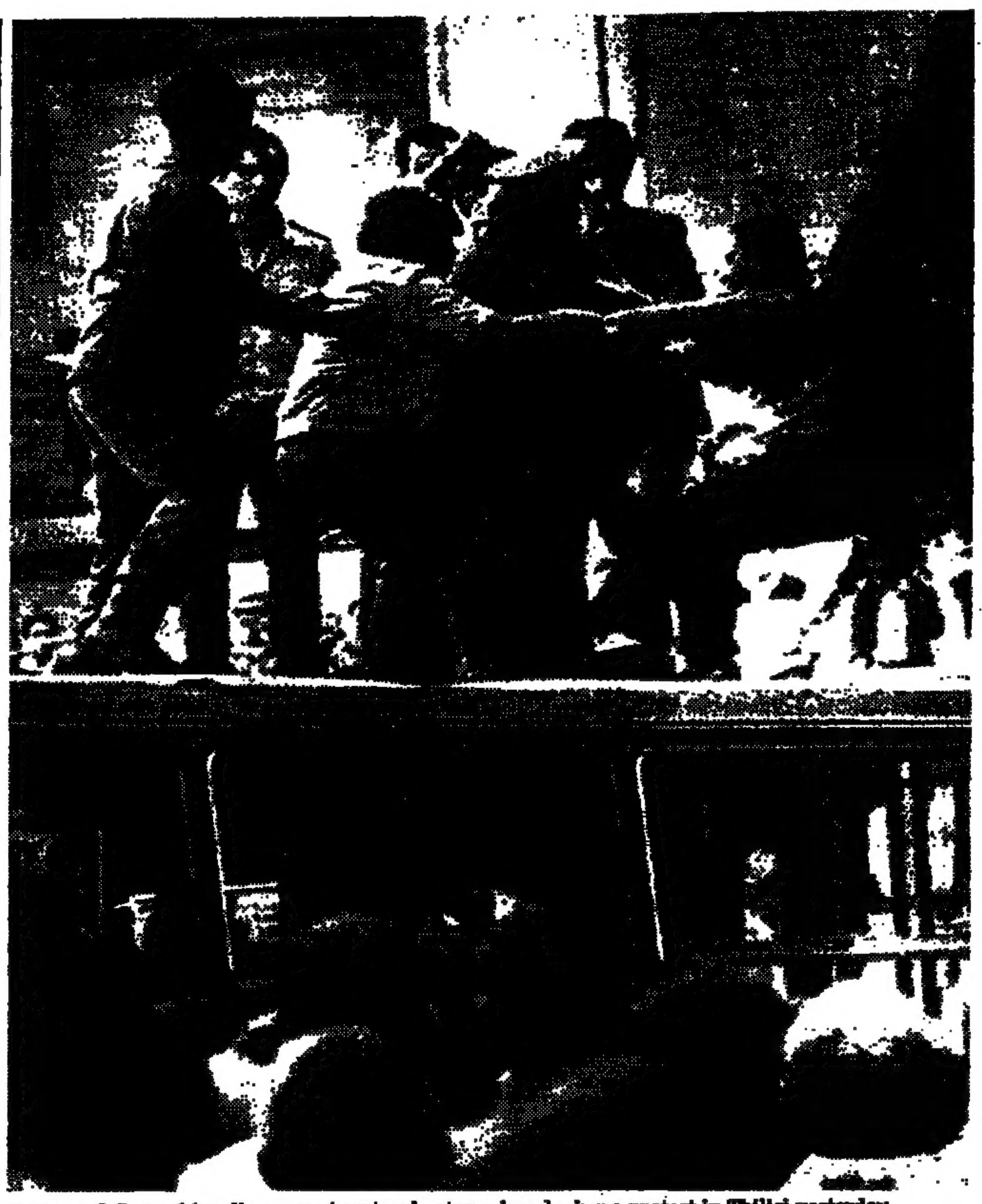
Lufthansa agrees pay cut

By Christopher Parkes

The six management board directors of Lufthansa, the stricken German airline, have agreed to a 10 per cent pay cut this year.

The move, expected to save up to DM300,000, (£106,382) was intended as a clear signal that all employees must tighten their belts, the company said.

It followed Monday's announcement that the DAG white-collar union was prepared to accept pay reductions and longer working hours to help protect jobs.



Police and Gamsakhurdia supporters tussle atop a bus during a protest in Tbilisi yesterday

Georgia takes back control of rebel capital

By John Thornhill in Moscow

GEORGIAN troops yesterday moved into Sukhumi, capital of the breakaway Abkhazian region, and quickly seized control of government and communication centres as thousands of residents and holidaymakers fled the city.

Five people were killed when Abkhazian irregular forces resisted the move, according to the independent Interfax news agency, although Georgian ministers reported their forces had met no resistance.

Itar-Tass news agency reported that Mr Vladislav Ardzinba, Abkhazia's parliamentary leader, had resigned. Georgian leaders had demanded his resignation on Monday under threat of armed intervention.

Abkhazia's parliament effectively declared its independence from Georgia last month but its claims were dismissed by the country's leaders. Mr Eduard Shevardnadze, Georgia's acting head of government, has stressed repeatedly that Abkhazia would remain an integral part of the Georgian state.

Russian press commentators yesterday voiced concern that the instability in Georgia could spark a more widespread conflagration in the Caucasus, an area plagued by four years of conflict between Armenia and Azerbaijan.

The Chechen region of southern Russia, which has supported Mr Zviad Gamsakurdia, the deposed Georgian leader, yesterday put its forces on full alert to deter possible Georgian military moves.

Krasnaya Zvezda, the military newspaper, expressed outrage at the deaths of at least three Russian holidaymakers in the Abkhazian conflict. The Russian Defence Ministry said its paratroopers were guarding the airport and military facilities in Sukhumi. On Monday, they helped evacuate 1,500 Russian holidaymakers and service personnel by air and a further 2,000 by sea.

● Lithuania's prime minister, Mr Aleksandras Abisala, said yesterday that the former Soviet Baltic states might reach agreement with Russia within two months on a timetable for the withdrawal of troops from their territories, Reuter reports.

"I think negotiations.... will now start seriously. Before, it was only political show," he said after a three-day meeting of Nordic and Baltic premiers on the Danish island of Bornholm.

Ukraine's leader dismisses call for reintroduction of the rouble

Kravchuk whips his central bank into line

By Chrystia Freeland in Kiev

THE former Soviet president, Mr Mikhail Gorbachev, and the chairman of Ukraine's national bank yesterday shared the dubious distinction of a dressing-down by Mr Leonid Kravchuk, the Ukrainian president.

Mr Kravchuk followed a stern public rebuke of Mr Vadim Hetman, the bank chairman, who spoke out over the weekend for a tighter monetary policy, with the assertion that Mr Gorbachev, as a leader who failed in his efforts to preserve the Soviet Union, had no right to advise his successors.

"The national bank exists to carry out the will of the state, neither more nor less," he warned at a news conference. This suggests he has sided with neo-communist bureaucrats in the cabinet in their struggle with the technocratic reformers who run the republic's central bank.

Mr Kravchuk rejected the bank's proposal to reintroduce the rouble into the Ukrainian economy as a means of bailing out the coupon, Ukraine's faltering pseudo-currency.

On Saturday Mr Hetman called for a restriction of credits and a reintroduction of the rouble in a "tactical retreat" from the nationalist emotions which have coloured the government's economic policies.

However, Mr Kravchuk said Ukraine would follow the opposite course. On October 1 the coupon would take all the functions of the true currency, apart from convertibility. Currently, it accounts for 97 per cent of cash transactions in Ukraine, but cannot be used in non-cash operations.

The Ukrainian leader yesterday advanced a new and tougher interpretation of the Black Sea Fleet agreement reached earlier this month with his Russian counterpart, Mr Boris Yeltsin, in a further effort to appease nationalist complaints that he is weakening in his defence of the republic's sovereignty.

Mr Kravchuk said that the fleet had to be divided between Ukraine and Russia by 1995, rather than postponing the division entirely until the 1995 deadline. However, he defended the spirit of the deal as "a political compromise in a difficult period in the lives of both Ukraine and Russia."

He also strongly dismissed Mr Gorbachev's suggestion in an interview published yesterday that a new union will rise from the ashes of the old.

"To force upon the people this idea, which has compromised itself and which is responsible for the worst features of our society would be unwise and tragic," said Mr Kravchuk.

Ministry warns on growth prospects

By Christopher Parkes in Bonn

THE German economics ministry yesterday laid down strict conditions which had to be met before the economy returns to the course of stable growth it maintained for most of the 1980s.

Despite "great uncertainties", the ministry said it expected average annual real growth of 2.5 per cent in the west, 9 per cent in the east and 3 per cent overall until at least the end of 1996.

Western inflation, the key to the Bundesbank's interest rate policy, was unlikely to rise above an annual average of 3.5 per cent in the medium term.

However, the ministry added, meeting its forecasts for the 1992-96 period depended on responsible wage settlements, restrictive government spending policy, and diversion of cash transfers to the east from consumption into capital investment. Worldwide economic recovery and a successful Gatt round on world trade were also crucial.

Other assumptions in the ministry's model included the restoration of stability in eastern European markets and the former Soviet Union.

The ministry's heavily hedged forecast coincided with a gloomy report from the federal banking association complaining that the west German economy had lost momentum.

Finance ministry figures showed rising demand for federal funds. Social security spending is expected to rise more than 6 per cent next year to almost DM150bn and to DM160bn in 1996. The government only recently limited federal spending growth to a nominal 2.5 per cent a year.

The federal statistics office added to the short-term apprehension with a report that average hourly wages in west Germany at the end of April were 7.2 per cent more than a year earlier.

Economists, comparing the ministry's inflation forecasts with the central bank's target of 2 per cent, said that while there were good chances for growth, inflation would present a "constant danger".

Mr Peter Pietsch at Commerzbank said he expected "a very careful interest rates policy for the coming years". He was calculating on average inflation in 1993 of 4 per cent, unchanged from this year.

For east Germany, where inflation is likely to average 8 per cent, the economics ministry forecast an average annual increase in capital investment of 17 per cent. "In good years", growth in the former GDR could move into double figures.

Hungary seeks to free IMF credits

By Nicholas Denton in Budapest

HUNGARY is holding talks with the International Monetary Fund aimed at unfreezing credits withheld because of Budapest's failure to contain public spending.

Negotiations began this week in Budapest as it became evident that the Fund had not disbursed a tranche of SDR79.6m (£59.5m) due in May as part of a three-year programme to finance Hungary's economic transition.

The fate of that and a further instalment due in the coming month hinges on the Hungary's ability to convince the IMF it has turned over a new leaf and will contain next year's budget deficit even if this year's is beyond repair.

Budapest is confident the IMF will tolerate a public sector deficit of Ft180bn (£1.2bn) or between 6 and 6.5 per cent of gross domestic product this year, but only if Hungary gives a commitment to keep the 1993 shortfall to that level in nominal terms.

Even though the forecast 1992 deficit is several times the 1.9 per cent IMF target, achieving even that figure will require a package of spending cuts and revenue increases amounting to Ft40bn.

The government will have to force its budget proposals through parliament at a high political price.

EC curbs Czech steel

THE European Commission has authorised Germany, France and Italy to restrict some steel imports from Czechoslovakia after they complained about a big rise in cheap shipments, Reuter reports from Brussels.

The Commission also set tube export quotas for 1992 to Germany.

Bonn complained that Czechoslovak exports of unwelded steel tubes to Germany had reached 37,377 tonnes in the first four months, compared with 7,226 tonnes in the same period of 1991. Czech sales were undercutting EC market prices by 20-30 per cent.

French wine exports up in value

By Alice Rawsthorn in Paris

FRANCE'S troubled wine industry managed to muster a 4.7 per cent increase in exports to FFr13.1bn (£1.37bn) in the first half of this year compared to the same period in 1991.

According to the latest figures from the Centre Français du Commerce Extérieur the increase was solely due to higher prices and favourable currency trends, as the volume of wine exports fell by 7.5 per cent to 5.4m hectolitres between January and July.

The worst affected area was champagne, which registered falls in both volume and value sales of 7.2 per cent and 8.3 per cent respectively.

The French wine industry has been hit by the combined effects of the global economic slowdown and a surplus of supply after the bumper harvests of 1988, 1989 and 1990.

The supply situation has been eased by last year's smaller crop and France's wine producers are now anxiously waiting to assess the 1992 harvest when they pick the grapes next month.

Polish miners join copper, car strike

EMPLOYEES at four Polish coal mines went on strike yesterday, joining copper and car workers, in response to a call by radical trade unions which want to make the government back down from painful economic reforms, Reuter reports from Warsaw.

At the Gdansk shipyard where the Solidarity trade union was born, about 80 workers were fired for staging an illegal protest, a sign that the authorities were unlikely to give in, PAP news agency said.

"There are four coal mines on strike now, and there are rallies in more than a dozen," said Mr Marek Opasnik, a spokesman for the former communist union OPZZ.

"This is just the beginning. There will be many more mines and factories joining if the government doesn't start negotiations on our 21 demands," he added.

These demands include an end to Poland's 13 per cent unemployment, "the immediate abandonment of the current chaotic and fraudulent privatisation," lower interest rates and the abandonment of strict wage controls in state industry.

The six unions have also taken up the cause of workers at the huge state-owned copper combine KGHM Polska Miedz SA and the plant which makes Fiat SA's Cinquecento minicar, both of which have held pay strikes for the last month.

The six, which unite a radical offshoot of the Solidarity trade union with miners, farmers and railway workers' groups led by former communists, claim the support of 5m members. Few of these have so far taken part in the protests.

The Solidarity union itself, which claims just under two million members, has distanced itself from the protest calls, although it is also demanding urgent government action to help ailing state industry.

Prime Minister Hanna Suchocka's coalition government has promised measures to help relieve heavy debts owed by enterprises, but has refused to give in to strikes or negotiate workers' demands while stoppages continue.

Solidarity leaders have agreed to co-operate with their former colleague, President Lech Walesa, in trying to break the stalemate and have appealed to workers to end the strikes.

Danish opposition urges fiscal expansion

Hilary Barnes on political reasons behind the nervousness of the country's financial markets

Poul Schlüter: denies the possibility of an early election

DENMARK'S minority Conservative-Liberal coalition government is facing strong political pressure to adopt a more expansive fiscal policy in order to combat 11 per cent unemployment and invigorate an economy which has been plunged into uncertainty by the electorate's rejection of the Maastricht treaty on European union in the June 2 referendum.

Although the Folketing, Denmark's parliament, does not meet again until October, there is speculation about a possible winter election, contributing to nervousness in the Danish financial markets.

But Mr Poul Schlüter, who will celebrate his tenth anniversary as prime minister in September, denies that he will call an election, which is not due for another two years. "I consider it highly unlikely that the negotiations over the 1993 finance bill will lead to an election," he said last week.

The parties calling for a more expansive fiscal policy - the Social Democrats, the Radicals and the Socialist People's Party - point to the large current account surplus as evidence that there is plenty of room for manoeuvre.

The first-half surplus was about DKr12.4bn (£1.14bn). It is expected to exceed DKr20bn for the year, or rather more than two per cent of gross domestic product. However, uncertainty caused by the Maastricht referendum is the main reason why the government is reluctant to adopt a more expansive economic policy.

So far, the main impact of the Maastricht vote has been felt in the financial markets. The yield gap between Danish and German government bonds has widened from 0.8 percentage points just before the vote to about 1.4 points.

The all-share price index has fallen by over 12 per cent this year, the worst performance in Europe, with most of the decline taking place since the referendum.

Several large Danish companies – among them Lego, the toy company – have postponed investment plans because of the referendum result. Mr Knud Sorensen, chief executive of the country's largest bank, Den Danske Bank, said recently that business in general has put investment plans back in the drawer for later reconsideration.

THE Danish Ministry for the Economy reduced its 1992 GDP growth forecast to 1.3 per cent, as a result of the adverse effects on business confidence of Denmark's rejection of the Maastricht Treaty and a severe drought, which has hit agricultural output.

In April, the Ministry predicted a 2 per cent growth rate this year.

According to a new economic survey published yesterday, exports are still expected to perform well, rising by 4.3 per cent in real terms. But an April private consumption growth forecast of 2.5 per cent was cut to 1.5 per cent and business investment is now expected to fall by 6.2 per cent, compared with a decline of 3.8 per cent forecast in April.

Most economic indicators, however, remain positive.

"We have one of the strongest economies in Europe, and we mean to keep it that way," said Mr Anders Fogh Rasmussen, economy minister.

Inflation this year is about 2.3 per cent, and is expected to be about the same in 1993. The trade surplus is about 6 per cent of GDP, with the value of exports so far this year up by about 6 per cent.

The central government budget deficit this year will be about DKr35bn, and only considerable budget savings will keep it to that level in 1993. However, the total public sector budget is expected to show a small deficit this year after several years of surplus.

But Mr Henning Dyremose, finance minister, says that as long as the situation surrounding Denmark's status in the EC remains uncertain the government cannot relax its tight grip on fiscal policy.

It is thought unlikely that the Radicals, the small centre party which holds the balance between the socialist and non-socialist parties in the Folketing, will risk toppling the experienced team of Mr Schlüter and Mr Uffe Ellemann-Jensen, Liberal Party leader and foreign minister, until the Maastricht problem has been resolved, more especially as Denmark will hold the chairmanship of the European Council for six months from January 1.

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Russia struggles to cast off its own chains

Potential for vast change is there, writes **John Lloyd**, but not the means

A YEAR after the failed coup, Russia has all the preconditions for freedom, but is not yet free. Through their actions many of its leaders have attempted to further the cause of freedom. But they are constrained, often very severely, by forces which the Soviet state created and sustained, and which the new leadership appears unable to change.

This has been the legacy of last August's coup: the injection into the body politic of the former Soviet Union of the potential for vast change – without the means, the experience or the institutions.

The coup destroyed the already tottering edifice of the Soviet Union and the coercive apparatus of Soviet power. But it had little effect on the real constraints on the construction of a democratic state: the economic networks, the feudal-style provision of social and other services, and the psychological reflexes which seven Soviet decades had inscribed into the 15 member states.

Thus the second "Russian Revolution" can be called so only with qualifications. After all, so many of its citizens – even its political class – experienced it only through the media. In the industrial city of Cherepovets 400km north of Moscow, Mr Vassiliy Kovalov, the deputy mayor, heard the news on the radio and expected tanks, soldiers or at least party functionaries to appear on the square in front of the city hall. But nothing happened.

Likewise in Perm, where Mr Andrei Klimov and other city deputies passed, on the second day of the coup, a motion defiant of the state of emergency – and found their activity to have been the only coup-related move the city saw.

By contrast, a group of businessmen from the southern city of Rostov-on-Don found themselves in the thick of it because they were attending a conference in Moscow on new economic structures, and were staying at the mammoth Rossiya Hotel just off Red Square.

Yet, even at the epicentre, there was confusion. Says Mr Vadim Polovnikov, head of the Don Union of Businessmen: "We went up to Red Square and asked one of the soldiers in the tanks what was happening. He said, 'You tell me, brother'."

The coup, whose competing symbolic centres were the Russian White House and the Soviet Kremlin, tilted the uneasy balance between these two sharply towards the former. The Kremlin then again became what it had been before the 1917 revolution – the citadel of Russian power.

The coup destroyed a Soviet president – Mr Mikhail Gorbachev – who dithered about the consequences of the reform process he had begun. It elevated to the position of first post-Soviet leader Mr Boris Yeltsin, who committed himself and his country to democratic and market change.

The consequences are everywhere to be seen. In Cherepovets, Mr Kovalov backed the idea of hiring a western consultancy to advise on diversifying the town's economy, heavily skewed towards iron and steel and chemicals. It was the first such initiative in Russia.

In Perm, Mr Klimov was the moving spirit behind the founding in January of the Perm Business Club, which took into its membership the new men of the banks and the exchanges, as well as the older heads of the big engineering and defence enterprises on which the economy of the town still depends.

In Rostov, Mr Polovnikov took the chemical company he heads into "private" ownership by creating a joint stock company whose shares were owned by the workforce. All felt themselves to be working in a new environment, taking risks, sailing into new oceans without charts.

Throughout the central part of European Russia, the same processes are taking place. Foreign companies making deals for the export of metals are doing a roaring trade in Ekaterinburg, formerly Sverdlovsk, Mr Yeltsin's fief.

In St Petersburg, joint ventures for the production of food and cigarettes are being concluded, a model private farm has been set up and a western store is about to open on the Nevsky Prospekt.

In Moscow, private trading filled the city centre's pavements until it was chased into the side streets. The Ismailovo market for carpets, paintings, antiques and junk doubled, tripled, then quintupled in size. Western shops and restaurants open up at an accelerating rate.

The market habit is spreading. But it is doing so within an overall framework of collapse, of colossal debt, and of increasingly ferocious in-fighting within the very circles which were victorious after the coup. In a year, the defenders of the White House have discovered that the prestige which accompanied them as they took office was ephemeral.

For much of the past year, Mr Yeltsin the popularly elected President of Russia, retained a political dominance and a personal popularity. He now barely has the latter. Indeed, the latest opinion poll, commissioned by the Russian parliament, shows him outstripped for the first time by his vice president, General Alexander Rutskoi.

To build on the breakthrough to democracy which the coup seemed to presage he will need to find support quickly, not just personally and in his presidential power, but in institutions independent of him. That means an elected parliament with which he can work; an independent judiciary to which his decisions can be submitted with a reasonable hope of being independently judged; and a constitution which both defines and constrains his powers. These are at best in embryo.

The possibilities of August 1991 are now changing into the harder facts of August 1992. Russia is in rapid economic decline: there is no easy way out, no way of making the mass of people other than poorer, nor – short of a reversion to a command economy – any way of stopping the rich becoming conspicuously richer.

Russia remains a nuclear state and a vast landmass. It can no longer pretend to be a genial giant which is everyone's friend, but must define its interests and alliances, especially with the other former Soviet states.

Russia has almost no institutional structures for the pluralist market economy it says it wants to be, and is little nearer acquiring any.

In Pravda, the former communist party newspaper, the voice of Mr Valentin Pavlov, the Soviet prime minister during the coup and a flaccid co-conspirator in it, was recently heard from behind the walls of the Matrosskaya Tishina jail where he has languished for nearly a year. Heavily underscoring the worsening economic indicators since he was removed from the scene, Mr Pavlov said: "The issue is one of the survival of Russia".

He is right there. The coup has ensured that "Russia" rather than the Soviet Union is the central issue. But the survival of the transformation which the coup appeared to presage is still in doubt.

Business interests are pulling Yeltsin in opposite directions

Industry wants course change

TWO years ago, Russian plant managers bullied President Mikhail Gorbachev into a conservative U-turn which paved the way for the abortive coup. Today, industrialists are once more in the limelight as they openly call on President Boris Yeltsin's radical government to change course or resign.

The most active of these industrial politicians is Mr Arkady Volsky, head of the Russian Union of Industrialists and Entrepreneurs, who claims he has no designs on high office but seems to be doing all he can to achieve gain it.

"He has even picked a cabinet, although they are having trouble finding young people to join it," says one usually well-informed sympathiser.

Mr Konstantin Zatulin, director of a rival business association, says: "Now he [Volsky] has to make President Yeltsin fall in love with him."

Although it is not clear how far they support him personally, the directors he credits with "keeping angry workers off the street" have had very real grievances against the government. First there was the banknote shortage which meant workers were not paid; that is now being sorted out. Then there was the uncertainty of legislation, which for instance has meant constant changes in foreign trade rules.

Now there is a trio of industrialists in the cabinet, the main problem is how far it will give in to enterprises' demands for new credit as it tries to sort out a crisis over more than Rbs2 trillion in arrears.

On Thursday, a group of 1,640 manufacturers attended a conference organised by Mr Yuri Gekht, leader of the parliamentary Industrial Union who made them vote for reversal of the government's financial austerity and radical privatisation plans.

"We have been bankrupted by F's policies," warned Mr Shamil Menzeleyev, manager of the 2nd Moscow Watch Factory. "If the government does not heed what we have said here today, we will bankrupt it politically."

Many object to the privatisation programme – mainly because it reserves only a minority of shares for management and workforce. There is growing alarm at the possibility of foreigners buying up their shares or taking over their markets. Many are angry about the government's chaotic approach to the conversion of military factories to civilian output. Many managers are also disappointed by the fact that foreign investors (often seen as auxiliaries of their government) have not rushed in to do business with them.

But some will also admit that the reforms they hate have not been totally in vain. Says the head of a fishing conglomerate on Sakhalin island: "We're starting to tell our customers to pay for goods and it is working. Things will get better but it will take time."

Leyla Boulton

Entrepreneurs get foot in door

IN NEARLY every city of the former Soviet Union, cells of capitalism are forming. These are the germs of a new order: the more they spread, the less easy it will be to reverse. The coup was an important contributory factor.

There are western oilmen in Sakhalin in the Far East, Murmansk in the Far North and Baku in the Caucasian south. There are private coal mines in the fields of the Donbass in Ukraine, the Kuzbass in Russia and Karaganda in Kazakhstan.

There are joint venture advertising agencies in St Petersburg; Turkish traders in the Georgian capital of Tbilisi; and in the Armenian capital of Yerevan, though electricity and water supply is only intermittent, a host of commercial shops have sprung up to replace the state stores.

In Alma Ata, Kazakhstan, big foreign consultancies are establishing offices. In Tallinn, Estonia, private restaurants cluster round the beautiful square of the old town, and the music festivals are sponsored by German breweries.

Everywhere, people turn out with a table, or a piece of newspaper on the ground, and sell what they can: vegetables, a can of petrol, champagne.

A new stratum is being created, composed of people who have little or more often no other source of income than what they are able to trade, sell, make or exchange. In a state where most such activity was illegal a few years ago, the activity is remarkable.

The coup gave it a boost in Russia, and then in other republics. When the constraining hand of the centralised Soviet state was removed, Russia went for immediate and radical economic reform: trade was wholly legalised, company formation by foreigners and Russians was simplified, and privatisation plans were drawn up and introduced. Entrepreneurship is now officially sanctioned, even if it is not generally liked, or encouraged.

Free enterprise has arrived chaotically, and through often crooked channels. Monopolisation of capital by the state and the party until the last part of the 1980s means those now wanting to open banks, exchanges or companies are forced towards criminality. Workers and managers have turned over to themselves most of the companies now in private hands; the state has been too weak to intervene. Much of the oil and metals being exported from Russia belongs to the state but enriches those who can control it. Many goods sold by the roadside have been diverted from state networks.

Private business began, in 1987, with co-operatives and joint ventures between foreign and soviet companies. By 1990, private banks and commodity exchanges began to be established. Now, Russian businessmen are starting to see themselves as capable of matching foreign business.

The movement towards the market, for all its vulnerability, has gone beyond the fringe. In another year, short of terror, it will be irreversible.

John Lloyd

Milestones since the coup

● August 18, 1991: Coup leaders hold President Mikhail Gorbachev captive in Crimean dacha

● August 19: Coup leaders declare state of emergency

● August 21: Coup collapses. Gorbachev returns to Moscow

● August 22: Russian President Yeltsin suspends activities of Russian Communist Party in Gorbachev's presence

● September 2: Gorbachev and republican presidents agree to turn Soviet Union into confederation

● October 28: Yeltsin announces radical economic and political reform programme at Congress of Russian People's Deputies

● November 11: Yeltsin appoints Gennady Burbulis, Yegor Gaidar and Alexander Shokhin deputy prime ministers in new reform cabinet

● December 8: Leaders of Russia, Ukraine and Belorussia create Commonwealth of Independent States. Eight more states join four days later

● December 25: Mikhail Gorbachev resigns as first and last President of the USSR

● December 31: Soviet Union ceases to exist

● January 2, 1992: Most Russian prices deregulated

● January 31: Yeltsin proposes sharp cut in Russian nuclear warheads at UN General Assembly

● March 21: Majority in Russian autonomous republic of Tatarstan votes in referendum for independence from Russia

● April 6-7: Russia and Ukraine exchange threats over Black Sea Fleet

● April 6-21: Russian Congress of People's Deputies denounces government, which offers to resign. Yeltsin promises to moderate reforms

● May 30: Russian cabinet reshuffle brings in industrial lobby representatives

● July 8: Group of Seven announces $1bn in IMF funding for Russia. Yeltsin asks G7 for delay in debt repayments

● August 3: Russia and Ukraine agree to postpone carve-up of Black Sea Fleet until 1995

The new political line-up:

The coup destroyed the Communist Party. But it has not stimulated the growth of other strong, independent parties. The parties in Russia are weak, usually dependent on one or a handful of political personalities.

● The most powerful political force at present is the Civic Union, composed of three parties built round prominent individuals: Free Russia (formerly Communists for Democracy), created by Vice President Alexander Rutskoi; Obnovlenie ("Renewal") headed by Mr Arkady Volsky, chairman of the Russian Union of Industrialists and Entrepreneurs; and the Democratic Party, headed by Mr Nikolai Travkin, who claims the largest membership, of about 50,000. Their motto: reforms, with a strong central power.

● In the Russian parliament, factions dominate. They range from the Democratic Russia faction (liberal democratic) through the Industrial and Agricultural Union (corporatists) to the Rossiya (nationalist). During the Congress of People's Deputies in April, pro- and anti-government sides were reasonably well-balanced. Now, a majority is anti-government.

● The political parties cover the same spectrum. Democratic Russia, which was an umbrella for a number of groups and parties, is hopelessly split: its radical liberal wing opposes the government from the so-called "left", while constituent members like the Constitutional Democrats and Christian Democrats have left to join the nationalists. On the old left are a clutch of neo-communist parties – including the Bolshevik Party, headed by Mrs Nina Andreeva, and the Socialist Labour Party, headed by Mr Roy Medvedev.

Coup's leaders exploit conservative backlash from behind prison bars

THE VENGEFUL rattling from Moscow prison cells is growing louder as the coup leaders, awaiting trial for their part in the failed putsch, rejoice over the troubles of President Boris Yeltsin and the newly-independent republics.

"As the economic situation in the country worsens, many people have problems remembering why the inmates at Sailors Rest [jail] are being given a hard time," says Mr Andrei Makarov, a progressive lawyer defending Mr Yeltsin's ban on the Communist party in a parallel trial. "Very few people remember the coup, the tanks, and the horror of those August nights."

Even Vice President Alexander Rutskoi, who played a prominent role in the "resistance" to the coup but is now successfully exploiting a conservative backlash, has suggested letting them off.

Mr Nikolai Pechenkin, an affable 44-year-old lawyer for Marshal Dmitry Yazov, the former defence minister, warns: "This trial will split the country in two camps and it is not clear which camp will be bigger. Remember Chile. The media are now presenting Pinochet as a saviour. What is happening in this country now is collapse, ruin and chaos."

But with characteristic elements of a tragi-comedy, the trial is unlikely to happen before next year, if at all.

After several false starts – including the embarrassing leak of interrogation videos and the sacking last week of the deputy prosecutor in charge of the case – the prosecutor-general, Mr Valentin Stepankov, has so far been unable to bring the matter to court. Only on Friday, he ordered the investigation to be restarted because he is unlikely to make the present charge of treason stick to the 15 defendants, since they will argue that they were, on the contrary, trying to save their country from collapse.

One year after the coup leaders were ridiculed and villified for their vodka-fuelled attempt to prevent the signing of a union treaty which would have reshaped the Soviet Union, they are flourishing in political terms. Although most claim to be too unwell to stay in jail, most have found enough energy to defend their records and voice vitriolic criticism of the government in newspaper articles. Mr Anatoly Lukyanov, the parliamentary speaker who issued a sinister policy statement defending the coup, had no qualms in accusing the government last week of trying to ram capitalism down people's throats.

Mr Valentin Pavlov, the former prime minister who used to compare running the Soviet economy to managing a western corporation, has been offered a job at the country's biggest commodity exchange if he comes out of jail. He is now blasting government policies in Pravda (the former Communist mouthpiece which has survived thanks to government subsidies) with defences of his disastrous economic policies which debauched the currency and robbed people of their savings.

The role of President Mikhail Gorbachev, who was isolated at his holiday dacha in the Crimea from August 18-21, has also been subjected to closer scrutiny.

Some defendants have said they believed he might support the coup, but there is no question of his facing trial. It seems most likely that his constant compromising made the coup possible but that he was genuinely taken aback by his ministers' action against him.

"I don't think the coup took place with his agreement," says Mr Makarov. "But I am deeply convinced that Gorbachev is guilty of having removed the real democratic forces around him and of promoting the reactionary forces which finally toppled him, of not pursuing reforms which he could have pursued, and of not speaking up clearly when he should have done so.... This all helped pave the way for the putsch."

Despite the incompetence of the prosecution and accusations that this is going to be a political trial whose outcome has been decided in advance, it is a triumph for Russia's fledgling democracy that any of this is happening at all. Unfortunately, as often is the case in Russia, it is all happening far too late.

Leyla Boulton

History bears down on states of the Union

THE DESTRUCTION of a tottering Union was the most important geopolitical effect of the August coup: it now becomes clear how ambiguous the legacy is.

For in destroying the shreds of all-Union clothing it stimulated the naked power struggle between and among them, which the creation of the Commonwealth of Independent States last December has only moderated. It put Russia in centre stage, and returned its neighbours to their centuries-old dilemma: how to live with the Bear as a neighbour?

For the Baltic states, the answer was always clear: assert independence. Yet independence, supported by Russia, is harder to realise than to assert. Relations between Russia and Estonia, Latvia and Lithuania are much worse now than they were a year ago. The Baltic states demand the rapid pullout of the 130,000 strong forces based on their territories; the Russians promise to do so, but demand time to construct flats for displaced officers. Neither side trusts the other.

The sufferers are the Baltic Russians, especially in Estonia and Latvia, where the largest populations are. The new constitutions deprive them of citizenship if they are recent immmigrants, and impose the necessity to learn the native language if they are to keep their jobs.

Russian schools and cultural centres have been closed. Resentment and dislike of Russians now has a political expression, and is played upon by politicians. In Moscow, meanwhile, the parliament fumes that the foreign ministry does not protect the rights of a russophone population under pressure.

Russians spread throughout the former Union, and the former empire. Their strongholds include Crimea (Ukrainian since 1954), TransDnestr (Moldovan since after the last war) and Northern Kazakhstan (with a large Russian population before the creation of the Soviet state in 1920).

Only in the second of these has there been armed conflict, now under a very fragile ceasefire. But Crimea remains a presently muted quarrel between Russia and Ukraine, likely to flare up once more.

Most of the other states have developed a position of modified dependence. Belarus last month signed an agreement with Russia hailed by both sides as a return to traditional ties of friendship; it includes a military pact which envisages joint manoeuvres and a measure of joint (that is, Russian) control.

The four economically dependent Central Asian states and Kazakhstan have also all signed friendship or co-operation treaties of varying degrees of closeness – their economies, leaning shakily against the Russian one, need at least a common currency and whatever subsidised energy and other products Russia still provides.

The three Caucasian states seem set to return to their old ways, with the two Christian nations, Armenia and Georgia, seeking Russian protection against the "Turks" (the Moslems) in the third, Azerbaijan. Armenia last week invoked a collective security pact to beseech CIS (that is, Russian) military aid against an advance by Azerbaijan into Armenian territory.

Russia did not and will not soon oblige, but it is clear that its continued influence in the Caucasus depends on taking sides.

Ukraine remains the central enigma. It was always seen by Russian and Soviet leaders as the indispensable possession for the achievement of superpower status. Relations have recently improved: Presidents Yeltsin and Kravchuk have masked their previous distaste, and at their meeting in Yalta earlier this month called each other "Boris" and "Leonid".

But a Ukrainian cabinet minister privately described that meeting as merely an effort to calm western worries. And the deal reached at Yalta, for three-year joint control of the Black Sea Fleet, is fraught with the possibility of misunderstanding.

When Ukraine's economy worsens sharply, as it is expected to do in the autumn, Russia is likely to move again to the central role of national bogey.

The coup's failure saw Soviet power collapse utterly: Russian power has not expanded to fill the space vacated. Its oil-producing autonomous republics of Tatarstan and Chechenia have both declared a formal independence which they have yet to negotiate in practice.

Deal agreed by Kravchuk (above) on Black Sea Fleet is fraught with possibility of misunderstanding

Other republics or regions in Russia, like Yakutia (with diamonds), Komi (gas) and Tyumen (oil) are also claiming authority at least over their exportable resources.

This is less an ethnic matter than an effort by the elites who were thrown up by the putsch (or who survived it) to extend their control over a population and resources over which they had hitherto only a titular authority.

After a year – and more – of looking outward, in particular westwards, the anniversary sees all of the former Soviet states looking inward, increasingly aware that the imperatives of geography and of history are less amenable to transformation than they had bravely proclaimed in the aftermath of August 1991.

John Lloyd, Chrystia Freeland and Anthony Robinson

Sense of urgency catches up with Tokyo

Bank support measures aim to ease selling pressure on the stock market. Emiko Terazono reports

MR Tsutomu Hata, Japan's finance minister, has come a long way by finally admitting the extent of the gloom pervading the country's banking system. He may well have had a long night waiting for reaction to the emergency package he announced yesterday.

The bank support measures materialised after increasing pressure from business leaders and continuing sharp declines on the stock market. Until recently, the government had maintained a complacent stance towards troubles in the banking sector and financial markets, denying that any real problems existed.

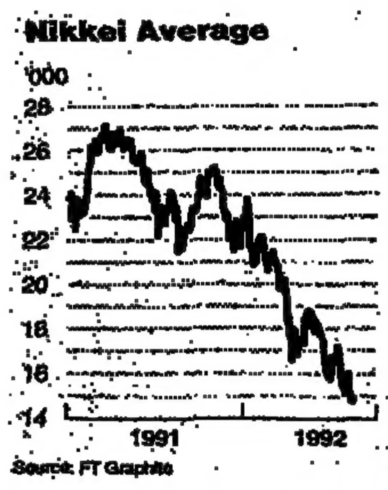
However, in a complete turnaround, the Finance Ministry yesterday expressed concern over the health of the Japanese banking system, acknowledging that the banks faced the "most severe situation since the second world war".

Mr Hata's comments reflect the urgency of the rescue measures. The finance minister said the measures were a part of the government's larger emergency economic package to be announced this autumn but that an early announcement had been favoured to increase the effectiveness of the assistance.

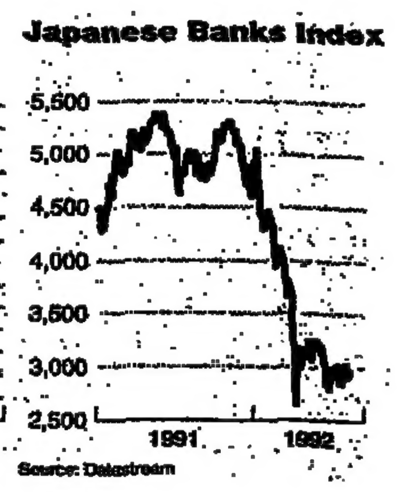
The aim of the measures is to introduce stability into the troubled banking system in order that banks will be able to provide liquidity once the economy recovers. However, the package is a temporary solution, including some measures which could be seen as "window dressing" of accounts.

However, the underlying aim is to support Japan's banks, and consequently the stock and real estate markets, by reducing the pressure to sell stock holdings. Profits would be shored up and the squeeze on credit eased by requesting banks to ease internal rules on property-related loans and providing banks with new means to raise capital. This would be achieved by the following means:

● The ministry will ask banks not to sell stock holdings to realise gains in order to shore up interim term profits for the six months to September. Mr Hata said the ministry wanted banks to break the "vicious circle" where stock selling by banks to realise profits on holdings erodes unrealised gains on share investments, and creates the further need to raise profits by selling shares.



Source: FT Graphite



Source: Datastream

● To lift rules limiting the payout of dividends to 40 per cent of net profits, in order to ease pressure on banks to raise profits.

● To allow banks to switch accounting measures where stocks can be carried at cost, and evaluation losses on share holdings could be reported separately from the profit and loss statements.

● To request banks to ease internal restrictions on real estate lending, thus ensuring the flow of funds necessary for a healthy economy.

● To ensure that the banks meet the capital requirements set by the Bank for International Settlements by introducing new capital-raising instruments, such as perpetual subordinated loans.

● To enhance securitisation of loans by allowing banks to break up loan assets into small lot securities.

● To study ways to eliminate non-performing debts at non-bank financial institutions including housing loan companies.

● To study ways to activate the stagnating real estate market, thus enabling banks to sell property held as collateral.

● To help banks dispose of their problem loans smoothly, including providing tax incentives.

● To disclose the amount of problem loans at the banks at the end of the current fiscal year, using new, broader standards. For the coming interim term to September, however, the ministry will disclose the banks' bad loans by applying the former standard, where only loans on which interest has not been paid for six months or more are considered non-performing.

● To enhance further deregulation of the financial system and to urge banks to increase rationalisation efforts.

Japanese bankers welcomed the ministry's proposals, and Mr Tsuneo Wakai, chairman of the Federation of Bankers Associations of Japan, said he considered the measures appropriate, adding that the banking industry would do its best to ensure stability in the financial system.

Mr Sakae Kudo, chairman of the Japan Securities Dealers Association, also expressed the hope that the measures would help wipe out concerns about the banking system. Mr Minoru Nagaoka, president of the Tokyo Stock Exchange, said that the ministry's steps would be effective in lifting share prices.

While Mr Hata acknowledged that the proposals offered only temporary solutions, based on the assumption that the Japanese economy and stock market would recover at the end of the fiscal year to March, he expressed his confidence of an upturn in both areas. "The economic support measures will support the economy, and in effect wipe out uncertainty towards share prices."

However, this view is not shared by many economists who forecast a delayed economic recovery. Also, the stock market still fears that the Nikkei could fall by a further 1,000 to 2,000 points, to as low as 12,000.

Lebanese cabinet urged to delay poll

By Lara Marlowe in Beirut

JUST four days before the country's first legislative elections in 20 years are scheduled to begin, the Lebanese cabinet will today discuss a petition from five influential Christian parliamentarians that the elections be postponed.

Opponents of the poll – the majority of them Christians – say the presence of 40,000 Syrian troops in Lebanon will ensure the victory of pro-Syrian candidates.

Syria wants the poll to take place before the scheduled withdrawal of Syrian troops to eastern Lebanon in September.

More than a dozen members of parliament this week announced that they were withdrawing their candidacy, citing their wish "to preserve national unity".

They include Mr Tammam Salam, the eldest son of former Sunni Moslem Prime Minister Saeb Salam, who has also spoken out against what he calls "forced elections".

The European Community yesterday called for Lebanon's forthcoming general election to be free and fair, saying that only a fully representative government could restore national and international confidence, Reuter reports.

The EC, in a statement issued by Britain as current president, reaffirmed support for Lebanon's "independence, sovereignty, unity and territorial integrity". It said the election was crucial for the country's future.

"The Community and its member states believe that only through fair and free elections, resulting in fully representative institutions, can national and international confidence in Lebanon be fully restored," the statement said.

The deputies who petitioned President Elias Hrawi include Mr Fares Boueiz, the Lebanese foreign minister, who is Mr Hrawi's son-in-law. Never before has a Maronite president enjoyed so little support from his own religious community.

Syria's Lebanese allies, including Prime Minister Rashid Solh, have insisted that voting will begin as planned on August 23. But the divisive issue has further undermined the ailing Lebanese economy and the decision of the Christian Phalange party to boycott the poll has ensured that 700,000 of the country's 2m eligible voters will not participate in the election.

A new legislature therefore risks having even less credibility than the present assembly, which has repeatedly renewed its own mandate since 1972.

Supporters of General Michel Aoun, the exiled anti-Syrian Christian leader, have threatened to enforce a "curfew" on the three successive Sundays of the election and Christian parties have called a three-day general strike starting on August 21 if the voting goes ahead.

Prime Minister Solh has twice visited Damascus this month to discuss Christian demands for a postponement with the Syrian vice-president and prime minister. On returning from the Syrian capital on Monday night, Mr Solh insisted that the elections would take place as planned.

The Lebanese pound reached an all-time low of L£2,800 to the dollar last week, but has since risen to L£2,340 after the Central Bank resumed intervention on the foreign exchange market.

Commonwealth team to visit South Africa

By Michael Holman, Africa Editor

THE COMMONWEALTH will send a team of about a dozen prominent citizens to help end violence in South Africa and facilitate renewed constitutional negotiations, it was announced yesterday.

The groundwork for the Commonwealth role was carried out last month when Chief Emeka Anyaoku, the organisation's secretary general, visited South Africa for talks with political leaders.

During his visit Chief Anyaoku won government approval for a plan setting out a Commonwealth contribution to the search for a political settlement. Many of the elements, including the suggestion that there should be close liaison with the country's National Peace Secretariat, an independent body formed last year which monitors political violence, were taken up by Mr Cyrus Vance, the UN special envoy to South Africa.

In response to his report, the Security Council has authorised stationing UN observers in South Africa, expected to number around 30, to help end township violence. The Organisation of African Unity (OAU) and the European Community are also expected to send teams.

Yesterday the South African government accepted the report, saying it would welcome the stationing of observers in the country.

"The resolution is acceptable in its main components. Blame is not apportioned to any party. Even-handedness is maintained," Mr Pik Botha,the foreign minister said in a statement.

"The need is emphasised to strengthen South African structures such as the National Peace Accord. So is the importance of co-operation of all parties in the resumption of the negotiation process as speedily as possible," Mr Botha added.

In its statement the Commonwealth secretariat said that Chief Anyaoku "is hoping to constitute a group of prominent Commonwealth citizens and it is expected they will work in quiet, non-public ways in order to make a practical contribution to help end the violence."

Rwanda's government and rebels end war

RWANDA'S government and rebels yesterday signed a formal accord that promises sweeping political reforms and an end to a 22-month civil war in their tiny central African country, **Reuter reports from Arusha, Tanzania.**

The accord was signed by Rwandan Foreign Minister Boniface Ngulinzira and rebel Rwandan Patriotic Front's (RPF) Pasteur Bizimungu after a week of talks in Arusha, northern Tanzania.

"The two parties concur that national unity, democracy and peace are invaluable and solemnly undertake to do everything possible to preserve them in the interest of Rwandan generations," the feuding parties said in a joint statement.

The accord calls for an all-party interim government, overhaul of the judiciary, legislature and executive and the creation of a watchdog body to monitor human rights abuses.

Talks on demands by the rebel for the integration of RPF soldiers into a reformed national army and the return home of some 250,000 refugees are due to start in Arusha on September 7.

The rebels, who first invaded from Uganda in October 1990 and whose ranks are dominated by the minority Tutsi tribe, have been fighting the army of the dominant Hutu.

The Hutu seized power from the Tutsi monarchy three decades ago in bloody uprisings that killed 100,000 people.

The terms of the agreements will be effective from January 10 next year.

The two sides are observing an internationally-brokered ceasefire which will be monitored by a neutral 50-man African military observer group from Senegal, Nigeria and Zimbabwe.

The force is expected in Kigali, Rwanda, this week.

Workers unload food shipments at Mogadishu's port, which snipers have made into one of the most dangerous areas of the city

Aid official says operation may run out of food within 14 days

US to begin airlift to dying Somalis

By Julian Ozanne in Mombasa

UNITED STATES military aircraft and personnel continued arriving in Kenya yesterday in preparation for the start tomorrow of the biggest airlift of food so far to millions of Somalis facing death from starvation.

Reflecting the new-found urgency with which the Bush administration is treating the "world's worse humanitarian disaster", at least 11 aircraft and between 250 and 300 military personnel will have arrived in Kenya by tomorrow evening, five days after President Bush gave the green light for an operation called "Provide Relief".

Many of the aircraft are flying 20 hours non-stop from military bases in the US and are having to be refueled twice in mid-air. Kenyan officials yesterday complained that the US had only told them it was sending military aircraft to their territory after the first one landed on Monday.

US relief officials in Kenya also appear to have been caught off guard by the speed with which the US has mobilised forces for the operation, which could eventually cost more than $200m (£105m). One senior aid official said yesterday that the aircraft might run out of food and have to be grounded until more food arrived at the port of Mombasa. At the moment there are 11,000 tonnes of food available for the airlift – an amount which could be exhausted in two weeks if the aircraft work around the clock.

Brig Gen Frank Libutti, commander of the joint task force, said in Mombasa yesterday that the airlift would get under way tomorrow, lifting the 11,000 tonnes of food to Wajir, in north-eastern Kenya. The food will initially be distributed to 300,000 Somali refugees who fled to Kenya. Later the food will be trucked across the border into Somalia to prevent further refugees pouring into Kenya. Food will also be distributed to the estimated 700,000 Kenyans affected by this year's drought.

Gen Libutti said his task force, composed of personnel from the air force, army, navy and marine corps, would evaluate the security and condition of airstrips in Somalia and would work in close collaboration with aid agencies already on the ground. He said his forces were armed with light weapons and would work under the normal peacetime rules of engagement – which provide for self-defence. If the security situation in Somalia made airlift operations impossible, Gen Libutti said he would consider other measures, including airdrops of food.

Mr Fred Fisher, the head of USAID, said that 145,000 tonnes of food pledged by the US for Somalia and Kenya last week was for fiscal year 1993, which begins on October 1. The first shipments from this pledge could not be expected to arrive in Mombasa for at least two to three months. US aid officials were trying to exchange some of this pledged amount for food already held by other aid agencies, he said. If this was not successful, the aircraft might be temporarily grounded.

Missing Briton held in Iraqi jail

A BRITON who disappeared in the Kuwaiti desert in unexplained circumstances seven weeks ago was understood to be "well" in a Baghdad jail, the Foreign Office said yesterday, **writes David Owen in London.**

Mr Paul Ride, 33, vanished in June while travelling between two of his employer's offices in northern Kuwait. At the time of his disappearance, he had nearly completed his contract with Taylor International, the catering group.

The Foreign Office said yesterday it had made representations on Mr Ride's behalf to the Iraqi authorities, requesting full particulars of why he had been detained.

It was "still awaiting" details of charges laid against him, as well as an explanation of why he had been arrested.

Starvation fear for 18m people

An estimated 18m people in 10 southern African nations face food shortages because of drought, a regional planning group says, AP reports from Harare.

In its latest bulletin obtained in Harare , the Southern African Development Community's Early Warning Unit said food shortages were severest in Malawi, Mozambique, Swaziland, Zambia and Zimbabwe.

Because of southern Africa's worst drought this century, most SADC member nations have virtually exhausted strategic food reserves by meeting immediate needs, the bulletin said.

"The current stock position for the region is very precarious," it said.

The 10-nation grouping – Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe – now holds some 813,000 tonnes of grain in stock, enough for about three weeks' consumption.

The bulletin noted that delivery of food supplies to isolated areas was held up by the civil war in Mozambique and transport problems in Angola, Malawi, Zambia and Zimbabwe.

Thai telephone boss wins support

About 2,000 employees of Thailand's state telephone company demonstrated yesterday to protest against the removal of their boss pending a corruption investigation, Reuter reports from Bangkok.

Communications Minister Nukul Prachuabmoh had ordered the removal of Mr Paiboon Limpaphayom, the director-general of the Telephone Organisation of Thailand, while corruption investigations take place. Paiboon will be made adviser to a telecommunications project.

Under Paiboon, the organisation granted a concession to a private company to install 2m telephone lines in the capital and 2m in the provinces.

China denies power grab

Premier Li Peng, seeking to calm fears among China's neighbours in south-east Asia, told Malaysia's visiting defence minister yesterday that Beijing was not making a grab for power in the region, Reuter reports from Beijing. His remarks were clearly aimed at soothing anxieties sparked by Chinese moves on the potentially oil-rich Spratly islands in the South China Sea.

Afghan peace bid

A peace mission of Mujahideen delegates left for Kabul yesterday while Islamic government jets raided renegade Hezb-e-Islami positions, Reuter reports from Kabul. The 15-man peace team, sent by Nangarhar province governor Abdul Qadeer, aims to talk to the Hezb-e-Islami and the coalition government, rivals in nearly two weeks of fierce fighting around Kabul that has left hundreds dead and forced tens of thousands to flee the city.

Bangladesh strike

Bangladeshi opposition parties have called a general strike for tomorrow to protest against the shooting of Workers Party leader Rashed Khan Menon by unidentified gunmen, agencies report from Dhaka.

Togo murder bid

Togo's equipment and mines minister, Mr Yao Amefia, a close aide to prime minister Joseph Kokou Koffigoh, narrowly escaped assassination on Monday, Radio Lomé said, Reuter reports from Lomé.

Patten chases prize of compromise in divided Hong Kong

Simon Holberton on an administrative blueprint that might square a difficult circle for the colony's new governor

WHEN Mr Chris Patten, Hong Kong's governor, meets Mr Zhou Nan, Beijing's most senior official in the colony, tomorrow both are likely to shy away from the subject of domestic Hong Kong politics.

There will no doubt be inconclusive exchanges about the airport, Mr Zhou's health – he was unable to attend the governor's swearing-in six weeks ago because he was ill – and possibly, the recent troubles in Shenzhen.

But the meeting, which is being billed as a "get to know you" session, will avoid anything that hints at negotiation or controversy.

For China, the meeting will be the first opportunity to meet a man who, in less than two months, has taken Hong Kong by storm. Mr Patten has managed to redefine the role of governor as populist leader – with his opinion poll ratings as high as Mr Zhou's are low.

There is, however, no one in Hong Kong more aware than Mr Patten that his first weeks in office have been little more than a triumph of style over content. An early test of his fibre will come when he unveils his plans for political reform in the colony. These are likely to come in two stages.

The first, which will coincide with his formal opening of the local legislature on October 7, will be his blueprint for the operation of Hong Kong's representative and executive branches of government – the Legislative and Executive Councils respectively.

The second will be arrangements for the colony's 1995 elections. These will probably not be decided quickly. However, he may use his October address to define the options and his preferred solution, and see where the ensuing public debate leads.

To win Beijing over to his view, Mr Patten will have to show that his plans for the legislature and the executive are ones with which China can live. He has already made reassuring noises in Beijing's direction with his firmly stated position that his administration will be "executive-led". China wants a strong executive to keep the legislature in its place.

Mr Patten's main concern is to have a government which works. After last September's partially democratic elections, his predecessor, Lord Wilson, sought a workable solution by inviting appointed conservative members of the legislature into his cabinet. He hoped this would secure him a majority in the legislature.

The policy had mixed results, with the conservative group's support for the government less sure as it has increasingly looked towards its future role, post-1997. To secure that role it needs to look and act independently, rather than as a rubber stamp to a British colonial government.

The Wilson solution also failed to accommodate the democratically elected element within the legislature – 12 of whom rally to Mr Martin Lee's United Democrats and six of whom broadly support the governor – which was excluded from the executive.

Mr Patten is spending the Hong Kong summer thinking about the options. From what he has said, together with some well placed leaks to test local reaction, it is possible to see a line of thought which might just enable him to square a very difficult circle.

Taken together, the elements of such a plan mark a change for the administration of Hong Kong, which may not win Mr Patten plaudits from many of the democrats in the colony. These elements include:

● The Executive Council. Mr Patten would accept the resignations of the 10 unofficial members that Baroness Dunn secured for him early last month. This would allow him to recast his cabinet into the advisory body he appears to want.

The reconstructed cabinet would have a broad based membership, including businessmen, men and women of ability – some of whom may have good links with Beijing – and leading civic figures. But it might not include any member of the legislature.

This latter omission may put some leading politicians' noses out of joint. But Mr Patten may well conclude that no cabinet that includes politicians will guarantee him a smooth ride through the legislature.

● Having split the executive from the legislature, Mr Patten would dissolve the Office of Members of the Executive and Legislative Councils (OMELCO). This would allow him to create a committee system for the legislature – something which most members want, especially the Democrats.

As in the US Congress, committee members could quiz government officials about policy and amend bills in committee before they pass to the legislature for ratification. The committees would also serve other ends.

They would provide local politicians with a platform but one outside the government. They would also provide a forum for senior Hong Kong Chinese government officials to essay their political skills.

Mr Patten is keen to appoint a local Hong Kong Chinese to the chief secretaryship when the incumbent, Sir David Ford, retires around 1994. The best official in the legislature may well be called upon to succeed Sir David.

● Bolstering the officials will be the governor himself. He will introduce a form of "prime minister's questions" – thereby making good his promise of "open and accessible government". He will also be assiduous in working the telephone to ensure he gets a majority for his policies.

Could he sell such a package to China? Beijing fears change of any sort, so he will have to convince them that it is for the better. Such a package has elements which Beijing should like – executive-led, some of their people in the cabinet and no Democrats. China would have to compromise on committees – which their representatives in the legislature have opposed – but that might not be too much to ask.

Iran threatens to sue Siemens over N-plant

By Scheherazade Daneshkhu

IRAN is threatening to sue Siemens, the German electrical and electronics group, for refusing to complete a nuclear power plant project.

Mr Mansour Haji-Azim, the vice-president in charge of the power stations of Iran's Atomic Energy Organisation (AEO), said last week that Iran would be pursuing its dispute with Siemens in a number of international forums, including in court.

The dispute revolves around the failure by Siemens to complete the Bushehr power plant in southern Iran, begun in 1975 as part of the late Shah Mohammad Reza Pahlavi's nuclear programme.

The project, which was planned to include two 13,000MW reactors, was abandoned in 1979 when the plant was about 85 per cent completed. It was later bombed by Iraqi aircraft in the 1980-88 Iran-Iraq war.

Iran, which is suffering from an acute shortage of power generation, has been pushing Siemens to complete the project. It also wants delivery of components for the plant for which it has already paid.

But Siemens says it is subject to a ban imposed by the German government in June 1990 denying export licences for components of nuclear power plants. In June, Mr Jürgen Möllemann, German economics minister, said on a visit to Tehran that Germany would not help rebuild the plant.

Despite the threat to sue by the AEO, Iran has signed a letter of agreement with Siemens for a gas-fired power station in the free trade zone area of Qeshm island in the Gulf.

The agreement was penned during a visit to Iran earlier this month by Mr Heinrich von Pierer, managing director of Siemens.

The Qeshm Free Trade Authority, formed to encourage inward foreign investment, has been attacked for the agreement. "The act of the authorities of the Qeshm free trade zone should in fact be considered as a kind of mocking the people," commented Abrar, a Tehran daily.

Asked by a caller on a radio phone-in programme why the agreement had been signed, Mr Haj-Sa'id, AEO research vice-president, blamed it on lack of co-ordination between government ministries.

Calling for more co-ordination, he said: "We can all unanimously decide then whether to sign agreements with Siemens or not."

However, Mr Wolfgang Brieyer of KWU, power-generation subsidiary of Siemens, said yesterday that "the Iranian authorities understand that it is not within the grasp of Siemens to complete the project. We have continually applied for an export licence."

Calls by the Jomhuri Eslami newspaper for a trade boycott against Germany seem impractical.

Germany is Iran's largest trading partner with exports of \$4.1bn in 1991 against imports from Iran of \$902m.

Chile leads flow of capital into Argentina

Cross-border trade, almost doubled since 1990, is set to top \$1bn this year, writes Leslie Crawford

FOREIGN capital is flowing once again into Argentina on the back of the government's economic reform programme. Surprisingly, much is coming from neighbouring Chile, small by comparison and until recently hostile.

Chileans have invested more than \$800m (£418m) in Argentina over the past two-and-a-half years, remarkable considering that Chile's gross domestic product of \$31bn is less than a third of Argentina's. Despite the absence of formal integration pacts, cross-border trade has almost doubled since 1990, and is expected to top \$1bn this year.

President Carlos Menem's privatisation programme has provided most of the investments, but there has also been a tide of Chilean investment in retailing and manufacturing, as confidence in Argentina's economic stability grows. Also, binational infrastructure projects involving billions of dollars are being planned for the mid-1990s.

Chilean utilities, privatised in the 1980s, have been scooping large chunks of Argentina's electricity sector now up for sale. A consortium led by Chilectra will this month take over managing Edesur, a power distribution company serving the industrial suburbs of Buenos Aires.

Chilectra and its partners bid \$511m for 51 per cent of Edesur, and plan to invest a further \$100m to cut energy theft and improve services. This is the largest single Chilean investment in Argentina so far.

Another group led by Endesa, Chile's biggest utility, has bought for \$90m a power generating complex serving Buenos Aires. A rival Chilean consortium paid \$92m cash for a majority stake in Central Puerto, a power plant also supplying the Argentine capital. Chilean companies believe they can turn these loss-making state utilities into profit.

Less spectacular sums are being channelled into shopping malls and supermarkets, and the food, furniture and copper manufacturing industries.

Mr Eduardo Aninat, Chile's former debt negotiator and adviser to Finance Minister Domingo Cavallo on Argentine debt, says Chileans are seeing niches for enlarging their businesses and reaping benefits of economies of scale. "After eight years' economic growth, the home market has become too small for Chile's leading industrial groups," he explains. "Argentina is virgin territory. Its population is over twice that of Chile's, and per capita incomes are much higher."

> Chileans have invested more than \$800m in Argentina over the past two-and-a-half years – a remarkable effort, considering Chile's GDP of \$31bn is less than one third of Argentina's

Mr Hernan Somerville, Chile's chief debt negotiator in the 1980s, believes Chile's export of capital is a permanent trend. "The first phase of Chile's export development – fruit, fish, copper – is now over. Many cash-rich Chilean corporations have reached the limits of their expansion in Chile. Becoming multinationals is the next step." The gradual opening of Chile's capital account is helping this trend. Chilean companies wanting to invest abroad faced many curbs in the past because of the Central Bank's fear of capital flight, no longer seen as a problem.

Argentine assets are perceived as cheap compared with their Chilean equivalents. Mr Somerville says Argentine assets are not seen as expensive in Chile because investors expect higher profits once Argentina's economic reforms begin to bear fruit. "Chileans are willing to pay more for Argentine assets because they don't perceive the same risk factors as European or Japanese investors."

Some territorial disputes linger, but the civilian governments on both sides of the Andes, which almost went to war in 1978 over three islands in the Beagle Channel, are keen to bury their sabre-rattling days. Chileans have long been dismissive of the Argentine work ethic. Now businessmen on the Santiago-Buenos Aires shuttle detect a change. "Argentines have become more cost-conscious and more realistic," one Chilean investor says.

Perhaps the Chilean asset in widest demand is expertise. "Chile was a laboratory for free-market reforms, so we are well placed to advise our neighbours on the good, the bad and the ugly," says Mr Aninat. His economic consultancy is setting up a ratings agency in Buenos Aires, as a new law that comes into effect in October will require all corporate bond issues and debt paper to be valued by two private rating companies. This has been the case in Chile for over 10 years.

Chilean pension fund managers are also making a bee-line for Buenos Aires, where private retirement schemes will be introduced at the end of the year. Chile privatised its social security system 11 years ago. "Nobody else in Latin America has our knowledge in this field," says Mr Julio Bustamante, Chile's superintendent of pension companies.

Another sign of fading rivalries is evident in the area of oil exploration. Chile's state oil concern, Enap, has been authorised to drill for oil on the Argentine side of the Magellan Straits. By the end of September, a final decision is expected on construction of a \$200m oil pipeline, linking the province of Neuquen, Argentina, with Chilean refineries near Concepcion.

The flow of crude will boost bilateral trade by \$400m a year. Also, two rival Chilean groups are bidding to build a gas pipeline between Neuquen and Santiago, expected to cost over \$1bn and be ready by 1995. Finally, both countries want to bore a 16-mile corridor under the Andes to relieve congestion on the mountain pass linking Santiago and Mendoza. Presidents Carlos Menem and Patricio Aylwin are expected to launch the project this month.

Cuba seeks observer status at Caricom

By Canute James in Kingston

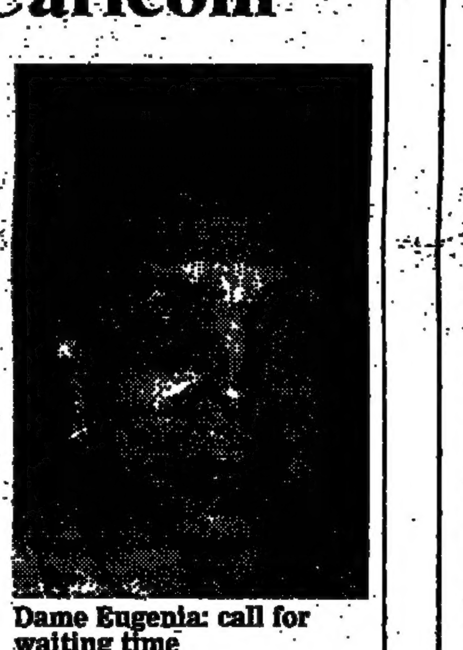
CUBA is seeking increased economic links with its immediate neighbours, and has asked to be granted the status of an observer to the 13-nation Caribbean Economic Community (Caricom).

The request is likely to be followed by an application for full membership, officials in Caricom states say. But the request for observer status has not been received with enthusiasm by all community members, and there is some doubt that it will be granted.

A decision is expected at the community's next summit in July. The Cubans have been encouraged by Caricom's decision to establish a joint commission with Havana to investigate areas of possible economic co-operation.

Mr Ramon Sanchez Parodi, Cuba's deputy foreign minister, says Havana has also taken heart from its recent admission to the Caribbean Tourism Organisation, over the objections of Puerto Rico and the US Virgin Islands, two US Caribbean possessions.

"The Cubans do not speak the political language of Caricom members," said Dame Eugenia Charles, premier of Dominica. "They cannot just jump into bed with us. There must be a courting period."



Dame Eugenia: call for waiting time

Mr Sanchez said his government wanted to increase its limited economic ties with its Caribbean neighbours: "There are now opportunities for Cuba to work with the rest of the Caribbean in tourism, trade and all economic matters."

"There is also the prospect for collaboration in high-technology and biotechnology ventures, with firms in the private and public sectors. The US opposed Cuba's application to join the Caribbean Tourism Organisation, but the members supported it. Caricom will accept Cuba despite US pressures."

Second stage of Ankara gas deal goes to Turkish group

By John Murray Brown in Ankara

ATILLA Dogan, a privately owned Turkish construction group, has signed a letter of intent to build the second stage of the Ankara natural gas distribution network, beating competition from British Gas and SAE of France.

Atilla Dogan, in partnership with SII of Italy, expects to sign a contract with Ankara Municipality within 30 days, and to complete the construction within four years.

The project is to connect gas lines to 150,000 city homes, constructing 20-30 gas regulating stations using natural gas supplied under a 20-year contract from Russia. Istanbul and Bursa are installing similar systems.

The decision to offer the project to Atilla Dogan is a blow to British Gas which won the first-stage gas network and was closely involved in designing the system. British Gas was unable to match Atilla Dogan, who came in at around \$80m compared with the UK bid of \$122m.

Atilla Dogan was yesterday in final negotiation with EGO, the Turkish state gas company. The company confirmed it was seeking finance from Sace, the Italian export credit agency.

The company has also been asked to secure a bridging loan from local sources in US dollars to enable construction to start.

Puerto Rican deal for ABB

ABB Asea Brown Boveri, the Swedish-Swiss engineering group, has won a \$133m (£69.6m) deal to design and build the first big power generating plant in Puerto Rico in 20 years, Ian Rodger reports from Zurich. ABB's US gas turbine power division will build the 248MW Cambalache station near Arrecibo for Puerto Rico Electric Power Authority.

Panama Canal tolls to rise

Panama Canal tolls are to rise 10 per cent from the start of October, Stephen Fidler reports. The increase will raise the rate for laden vessels from \$2.01 to \$2.21 a ton. The rise is the sixth in the canal's 78-year operating history, the last taking effect in October 1989. The increase is needed to meet expenses and finance a capital improvement programme.

Republicans direct their vitriol at Clintons

Jurek Martin, at the Houston convention, identifies a campaign trend

PRESIDENT George Bush, proclaiming himself revived in spirit and "feeling positive", is promising to pull no punches in his re-election campaign against Governor Bill Clinton of Arkansas.

To that end, yesterday morning's session of the Republican convention was treated to another invocation of the low blow that so damaged Mr Michael Dukakis, the Democratic presidential candidate, four years ago.

Mr Dan Lungren, attorney-general of California, said in a speech on crime that "the Democratic icon of righteous indignation" consisted of two words – Willie Horton. He specifically linked Mr Clinton with Mr Dukakis's supposed leniency towards the convicted criminal, which featured in effective, but controversial, Republican commercials in 1988.

There were reports Mr Lungren had come under pressure to excise his comments about Willie Horton and Mr Bush continues to insist he will engage in no personal attacks. But the new sharpness in his own tongue combined with the licence given to his surrogates gives a clear idea of the future direction of the campaign.

Both Mr and Mrs Clinton are considered fair game. The litany against the Democratic candidate is that he is "the failed governor of a small state" and thus unqualified to be president. His failure to serve in the military in the Vietnam era will be repeatedly contrasted with Mr Bush's war record.

Armed with an incisive new speechwriter, Mr Bush is also developing some good new punchlines.

Dismissing Mr Clinton's claim to be the comeback kid, he proclaimed "we're running against the karaoke kids, willing to follow any tune, like customers at a singalong bar, to help them get elected".

The charge against Mrs Hillary Clinton, given full airing by Mr Patrick Buchanan on Monday night, is that she is a radical feminist with no appreciation of true American values. Again the contrast will be made with Mrs Barbara Bush, who is to address the convention tonight, in an unusual departure for a president's wife.

Promising to be the reincarnation of President Harry Truman in 1948, Mr Bush declared that his opponent and the Democratic Congress were "one and the same and we're not going to let the American people forget that".

One theme of the Clinton campaign is his distance from Washington.

The anthem of "change" first sung by Mr Clinton has also been given a new descant by Mr Bush, often accused of being resistant to any new tune. Thus it is now congressional Democrats who are derided as "the sultans of the status quo".

Mr Bush is also in effect admitting that his campaign so far has been ineffective. "When history writes about this election," he said on Monday, "they're going to say it started right here [in Houston] when you fired up the president."

The military metaphors seem to suit Mr Bush well, perhaps because they remind him of his great success in the Gulf war.

Bush faces tough transition to domestic warrior

By Michael Prowse in Houston

MR Ronald Reagan, the Republican party's elder statesman, devoted most of his address on Monday night to familiar themes – such as his faith in the greatness of the American people and his single-handed defeat of communism. But the final few paragraphs were more revealing.

Speaking of the "great task we have to do together in our own home" Mr Reagan called for a host of social reforms. Let us "pledge ourselves to a new beginning" for those "who languish in neighbourhoods riddled with crime and bereft of hope". Let us "revolutionise education" so that everyone "will have the mental tools to build a better life". Let us "strengthen our health care system so that Americans of all ages can be secure in their futures without the fear of financial ruin".

He was faithfully broadcasting what is intended as the central message of this convention: having won the cold war and brought hope to millions overseas, President George Bush and the Republican party are now about to "target America" and address social problems. The question for voters is whether Mr Bush has the will or the ideas to make a difference at home.

The sight of Mr Reagan, 81, finally climbing aboard the domestic reform bandwagon was not entirely reassuring. It raises an awkward question: why have three Republican administrations achieved so little in domestic policy in 12 years? Claiming preoccupation with foreign affairs for all this time is not credible.

The usual excuse is that the Democratic Congress stymied reform. But it is likely that the party will have an even bigger majority in Congress after November.

If Mr Bush is to appear competitive on domestic policy, he needs to set out a crystal-clear agenda for reform in tomorrow's acceptance speech and then win a decisive election victory. Faced with such a presidential mandate for change, Congress would feel obliged to co-operate.

It is not as though the Bush administration has had no ideas for domestic reforms. Pressure of events has forced policy pronouncements.

Mounting concern about the low quality of education led to last year's "America 2000" educational initiative, which advocates a new national testing system as well as greater parental choice of schools.

Democratic Senator Harris Wofford's surprise win in a Pennsylvania Senate race led to an 11th hour Bush plan for reforming health care. The full details are still not available but it centres on tax credits (up to \$3,750 a year per family) to help poor people buy private health insurance as well as generous tax relief on health policies for the middle classes.

Many other ideas, including reform of the legal and welfare systems, form part of the conservative policy platform debated by delegates in yesterday's sessions.

In trying to make the transition from cold war to domestic warrior, however, Mr Bush faces severe handicaps. One is the sense that he only proposes reforms when they seem politically unavoidable. How, for example, does he justify waiting three years to unveil a health care reform when the principal problems – 35m people without insurance and an uncontrolled escalation of costs – have been known for a decade?

Another handicap is the piecemeal nature of the proposed reforms – the lack of any over-arching theme. Had Mr Bush listened to conservative advisers he might have made a splash with an innovative, libertarian approach to social policy, emphasising the importance of individual "empowerment".

But he failed to do so, and Mr Clinton has already moved to occupy part of that fertile ground by using the code word empowerment in his own acceptance speech.

In Houston, Republicans seek to emphasise the "experience gap" separating the candidates. Mr Bush is to be trusted, said Mr Reagan, because he has "been at the table with Gorbachev and Yeltsin".

Yet if domestic rather than foreign policy is now the principal battle ground, the advantage may lie with Mr Clinton; having served 11 years as a state governor he is as fluent on education and health care as Mr Bush is on the UN or arms control.

Opening-day triumph for party's right wing

Houston may be seeing the birth of a new strain of conservatism, reports **Jurek Martin**

WHEN this election is dead and buried, conservatives may well conclude that there never was a finer day than Monday August 17 in Houston, Texas.

By mid-morning, abortion rights activists had conceded they could not change the Republican party platform; shortly after midday the convention had approved that platform, a testament to conservative ideology; in mid-afternoon the faithful and the vice-president gathered together in a "God and Country" rally, unabashed in its religious patriotism.

But the evening was the climax, as first Mr Patrick Buchanan and then Mr Ronald Reagan, present and past guardians of the flame, provided the verbal red meat that conservatives believe President George Bush must consume every day if he is to win re-election in November.

It was the sort of day designed to banish the party's Doubting Thomases and political professionals who have problems with the notion that 1992 can be a repeat of the great conservative victories of 1980 and 1984, and even 1988. It was the sort of triumphal day that Mr Bill Clinton, the Democratic candidate, never allowed Democratic liberals at his convention last month.

Former President Reagan, in particular, did his part in a near-vintage performance that made light of the fact that the vast Astrodome is a tough arena in which even the most skilled public speaker finds problems in generating electricity.

His was a message of endorsement of Mr Bush "warmly, genuinely, wholeheartedly": of excoriation of the Democrats – "to hear them talk you'd never know that the nightmare of nuclear annihilation has been lifted from our sleep"; and, very typically, of hope for the future.

He ended what may well have been his valedictory address to a Republican convention much as he had begun his own quest for the presidency, with the words: "May every dawn be a great new beginning for America and every evening bring us closer to that shining city upon a hill."

Mr Buchanan's speech was as much an encomium to Mr Reagan as anything else, though his endorsement of Mr Bush, whom he had challenged in the primaries in uncompromising terms, was all that the president could have expected.

Its biting partisanship was conspicuous. "There is a religious war going on in our country for the soul of America. It is a cultural war, as critical to the kind of nation we will one day be as was the cold war itself. And in that struggle Clinton and Clinton are on the other side and George Bush is on our side."

He savaged Mrs Hillary Clinton as the epitome of radical feminism and damned Mr Clinton for dodging the draft. Repeatedly invoking religious themes, he insisted that the Clintons' agenda "is not the kind of change we can tolerate in a nation that we still call God's country".

The jam-packed "God and Country" rally, presided over by the Rev Pat Robertson, the television evangelist/businessman and one-time presidential aspirant, with Vice President Dan Quayle in attendance, had heard much more of the same. Mr Robertson even allowed himself some musings, replete with biblical quotations, that Mr Clinton was under the illusion that he was the second Messiah.

The religious right has been widely dismissed as a fading political force, weighed down by Mr Robertson's own failure in 1988, assorted scandals and the general decline in influence of the "moral majority" lobby of the Rev Jerry Falwell. None of the leading items on its agenda – an outright ban on abortion, help for religious education, mandatory prayer in schools, legal proscriptions against homosexuality, keeping women out of combat roles in the military – are on the federal statute books.

But the 60m Americans who profess themselves to be fundamentalists of differing sorts are a political market no candidate can ignore. Mr Clinton is not shy about professing his Baptist faith, quotes frequently from the Bible and called his social policy proposals the New Covenant. Senator Al Gore, his running mate, was much influenced by his religious education at an exclusive private school in Washington.

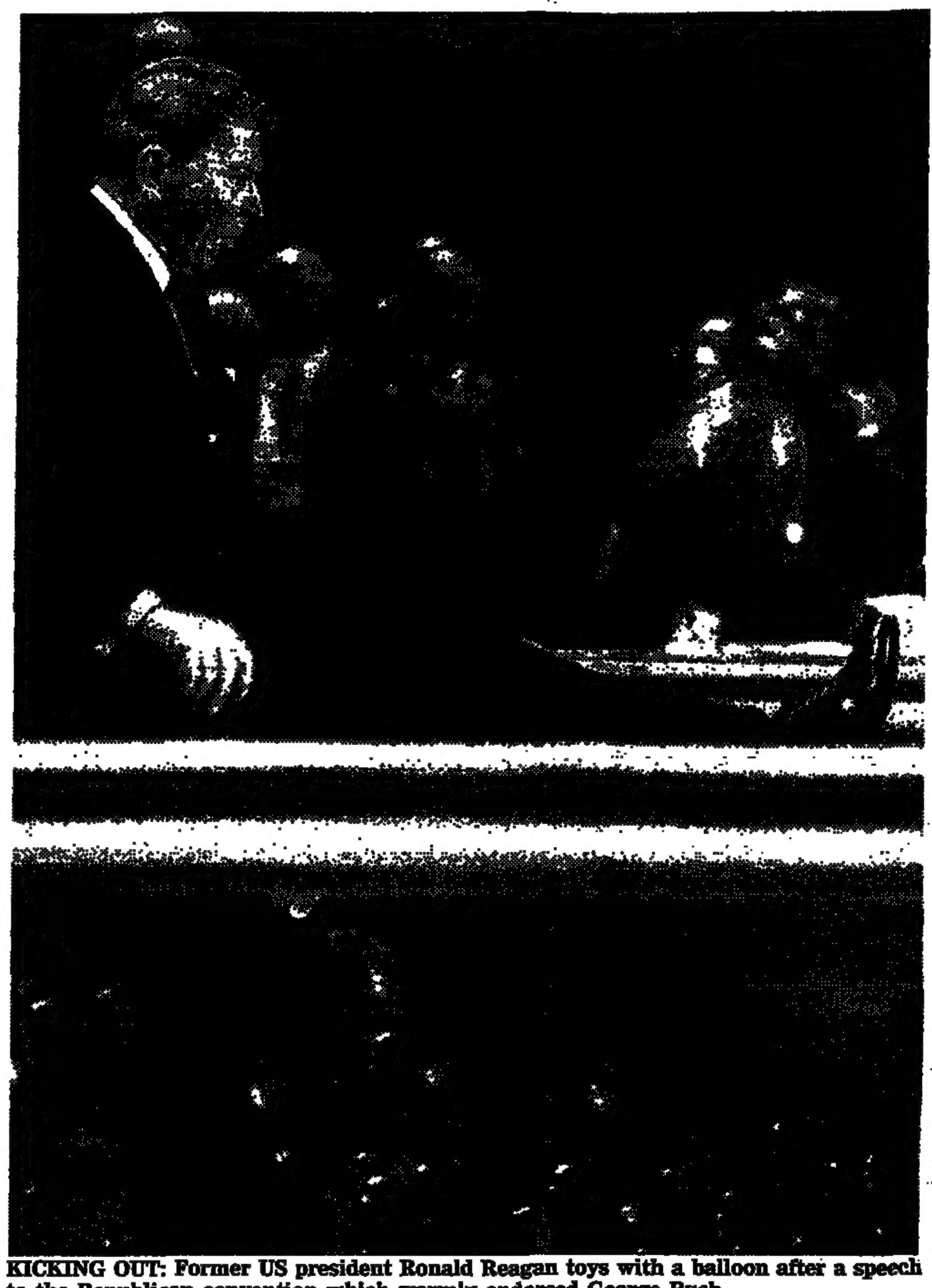
Mr Bush's private doubts about religious absolutism have been well recorded, but for political purposes there is no doubt that he sees Mr Robertson and his cohorts as useful allies.

There are other elements of the conservative agenda which make Mr Bush and the reviving band of Republican moderates profoundly uncomfortable. Though he diplomatically did not raise it in his speech, Mr Buchanan, under the protectionist "America first" banner, has never retracted his demand that a fence be erected along the southern US border to keep Mexicans out.

More serious in policy terms is the debate over tax cutting, a petard on which Mr Bush, who broke his notorious "read my lips, no new taxes" promise of 1988 two short years later, is now thoroughly hoist. To conservatives, the president's repetition of the mantra of a balanced budget amendment and line item veto is simply not enough, even though Mr Reagan on Monday night faithfully endorsed both.

It is possible this convention is present at the birth of a new strain of conservatism, whose most interesting advocate is Governor William Weld of Massachusetts. This combines conservative orthodoxy on tax-cutting with an almost libertarian approach to social issues, including no restrictions on abortion and no discrimination against homosexuality.

But Mr Weld could not put together enough votes on Monday to challenge the party platform on abortion, indicating his time has not yet come. Indeed, the way the cards were stacked on the opening day of the convention neither God nor James Baker, were either of the mind, could have changed the script.



KICKING OUT: Former US president Ronald Reagan toys with a balloon after a speech to the Republican convention which warmly endorsed George Bush

Live from Houston with the Democrats

By Matthew Kaminski and Jurek Martin in Houston

THE Democrats are present at their rivals' convention in Houston, both in body and in spirit. Democratic national chairman Ron Brown and Betsey Wright, a leading aide to Bill Clinton, are here, providing a running commentary and instant reaction to events on the floor for television.

In addition the party plans to counter Republican attacks on Mr Clinton with two 15-second television ads slamming President Bush's economic record. "And now a short break for the facts," the announcer says in one. "On November 5 1990, George Bush signed the second-biggest tax increase in American history. Under Bill Clinton, Arkansas has the second-lowest tax burden per person in the country. Those are the facts. Back to the show."

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This convention, like the Democrat jamboree in New York, also features a foreign visitors programme, in this case a delegation of mostly conservative politicians from 30 countries.

Not all, it seems, have taken a vow of diplomatic silence. One of the British ones was positively unrestrained at a lunch addressed by Jack Kemp, the housing secretary. He kept shouting out "Kemp in '96." Sadly for those who want to know his identity, British backbenchers are not exactly familiar faces for foreign correspondents.

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Larry Bird, the Boston Celtics baseball star, yesterday announced that back injuries had forced his retirement, an important enough piece of news for CNN to interrupt its convention coverage and get an instant reaction from Vice President Dan Quayle, whom it was interviewing at the time.

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Aside from Congress and abortion and the Clintons, it seems the most powerful Republican adversary is "the media elite". Delegates would rather be caught listening to Guns 'N' Roses than reading the New York Times. Thus a popular button shows a CBS Television emblem and says "Rather Biased", referring to Dan Rather, the network's purportedly liberal anchor.

Fall in US housing starts

US HOUSING starts fell unexpectedly for a second month in a row in July, the Commerce Department said yesterday, Reuter reports from Washington.

The annual rate of starts declined by 2.8 per cent last month to a seasonally adjusted 1.12m units. Wall Street economists had expected a slight rise in construction activity.

The Commerce Department, which previously said housing starts in June had fallen by 3.2 per cent, also issued a revised figure of 3.8 per cent.

June and July were exceptionally rainy months in the US, which hurt construction activity. But interest rates for home mortgages are at their lowest levels since the early 1970s, and that may benefit builders in coming months.

The fall-off in July was widespread, with only the South reporting a slight rise in starts on homes. Activity weakened in the Northeast, the Midwest and the West. But overall, the July starts level was 10.2 per cent higher than the seasonally adjusted annual rate of 971,000 units in July 1991.

The US economy has been recovering so weakly that consumers remain reluctant to spend. National unemployment stood at 7.7 per cent in July and the Federal Reserve at the beginning of the month slashed its trend-setting discount rate to 3 per cent, the lowest since 1963.

Nafta sets Mexico on the path to industrial unrest

A push to raise productivity prompts a union backlash, writes **Damian Fraser**

THE long, costly company lock-out at Mexico's Volkswagen plant, and a strike by 22,000 textile workers, may herald increasing confrontation between Mexican management and unions as they prepare for free trade in North America.

Both disputes are partly over management attempts to introduce new, flexible work practices. While managers are struggling to improve productivity to compete with North American rivals, union leaders are jealously guarding work practices that maintain their power over management, and sometimes their own members.

Although the VW dispute looked certain to end yesterday, the recipe for strife could be repeated as more companies face up to the consequences of free trade, putting President Carlos Salinas de Gortari's government in an awkward position. It has strongly supported the business sector over the past three years, and undoubtedly shares the goal of boosting productivity.

The administration was almost certainly behind Monday's decision by the Federal Conciliation and Arbitration Board to cancel VW's collective contract with the unions, letting the company dismiss dissident workers at will and rehire on its own terms. A company spokesman said yesterday that the majority of workers were already returning to work.

The apparent quashing of the dispute will send a powerful signal to workers and unions to accept new working practices, or face the consequences.

However, Mr Salinas is still treading carefully as he cannot afford an open break with the official union sector, represented by the 3m strong Confederation of Mexican Workers (CTM). The CTM backs the ruling party in elections, supplies crowds for political rallies, and above all, suppress wage demands of its own members. Were the government to break with the CTM, there would no doubt be an outbreak of labour trouble.

The government has so far pursued an uneven, cautious labour strategy. It has cracked down on older, corrupt union leaders while encouraging the rise of more "modern" leaders, such as Mr Francisco Hernandez Huarez, the telephone workers' chief.

But it has done nothing to revise the country's outdated federal labour law, responsible for many of the costly, inefficient labour practices.

The dispute at VW reveals what is at stake. The group is the leading seller of cars in Mexico, and a principal foreign investors. Its workers are also among the best paid, and its work practices the most rigid – partly because employees are represented by an independent union, relatively democratic and free of government and CTM influence.

The North American Free Trade Agreement (Nafta) has forced VW to take a tough stand with its union, provoking the dispute. Under Nafta VW will be vulnerable to imports of US-made cars aimed at the lower end of the market, which VW dominates.

Nafta also forces VW to meet higher North American content rules to be able to export tariff-free to the US. The company is thus bringing about 40 German parts producers to set up shop in Mexico.

It hopes to introduce "just-in-time" inventory methods with these producers, which would require changes in work practices.

In early July VW appeared to have scored a victory, when the union agreed to accept Japanese-style work groups and promotion schemes based on merit rather than seniority, already common practice in the "Big Three" US-owned car plants in Mexico. But soon after this a dissident faction in the union, apparently backed by most workers, went on strike, claiming not to have been informed about details of the new contract. The company responded with a lock-out on July 28.

The administration fears an open break with the CTM would provoke other disputes similar to that in VW's Puebla plant. The fact that Mr Fidel Velazquez, the nonagenarian chief of the CTM, has done nothing to resolve the textile workers' dispute, which involves a CTM union, suggests he is flexing his muscles and warning what might be in store if relations with the government break down.

The government pays a price for CTM support, mainly by not overturning the federal labour law. This law makes it costly to dismiss staff, difficult to hire temporary workers, illegal to break strikes by taking on non-union workers and, by permitting closed-shops, forces companies to sack workers who are expelled from the official union.

"A change in the federal law," says Mr Carlos Fernandez del Real, legal adviser to the dissident VW union faction, "would hurt the power of the *charros* [union chiefs], and limit their power to control the workers".

This would be damaging if the government's primary goal were to reduce wages peacefully, as it was in the 1980s. But now that is aiming to raise productivity, a change in the law might be worth the risk.

Mr Salinas seems to hope the CTM will be replaced by a series of modern, but supportive unions, such as Mr Hernandez's telephone workers.

The government no doubt reckons that when Mr Velazquez dies the CTM will disintegrate. However, Mr Velazquez, who turned 92 in April and has run the union for 51 years, likes to remind people that his mother lived to 106.

Carlos Salinas de Gortari: supports business sector

Impeachment case against Collor 'inevitable'

IMPEACHMENT proceedings against Brazil's President Fernando Collor are "inevitable", the head of a congressional inquiry into the country's growing corruption scandal said yesterday, AP reports from Brasilia.

Mr Benito Gama said investigators had uncovered evidence that Mr Collor was involved in corruption and "responsibility", which under Brazilian law means a lack of decorum or honesty in office. "There is evidence, not proof, that will make an impeachment request against the president inevitable," he said.

Congress will use the investigators' findings, to be published this weekend, as they consider whether to begin impeachment proceedings. A two-thirds vote by the 503-member lower house of Congress is needed for proceedings to begin.

Mr Collor is alleged to have received money from Mr Paulo Cesar Farias, a close friend and his 1989 campaign treasurer. Congress is investigating claims that Mr Farias extorted hundreds of millions of dollars from businessmen in return for promises of government favours.

Both men deny all the charges against them.

Mr Gama said there was evidence that Mr Farias made deposits in Collor-linked bank accounts to pay for the president's personal and family expenses.

● Brazil's drastic experiment aimed at ending inflation ended quietly this week – and economists judged it a resounding failure, Reuter reports from Rio de Janeiro.

President Collor astonished Brazil when, the day after taking office in March 1990, he froze most of the country's liquid assets overnight in a once-and-for-all effort to beat inflation.

Everyone with bank deposits worth more than \$1,250 (£655) was told that the government had "borrowed" their money and would not give it back for 18 months. The central bank estimates that \$45.7bn was sucked out of the economy at a stroke.

The "Collor plan" left citizens penniless, threw the economy into chaos, enraged companies and helped cause one of the country's worst recessions, but failed to kill inflation.

As the government paid back the final instalment of the money on Monday, no one was celebrating. After an initial dip to 3.3 per cent a month, inflation quickly bounced back and is now running close to 25 per cent a month.

Brazilian debt value slips, Capital Markets Page

James Buxton and Lisa Wood assess whether Tecs should have a Scottish-style central body

Divisions over uniting councils

TRAINING ON TRIAL

Training and Enterprise Councils will consider a broad range of options over the next few weeks on how to co-ordinate their operations on a national basis.

A shortlist of options prepared by Sir Christopher Ball, an academic, has been presented to G10, the group of Tec chairmen who liase with the government, and they will put proposals to Tecs this week.

The issue needs to be urgently resolved but because of the diversity of opinion it is likely to provoke divisions between the 82 Tecs in England and Wales. Indeed, discussion over a new intermediary body turned into a stormy debate at the recent national Tec conference. Advocates of a strong intermediary body, on the lines of Scottish Enterprise, claim it would give them more clout with government and greater operating freedom.

The issue has risen to the top of Tecs' agendas because:

- The National Training Task Force, a committee made up of leading businessmen such as Sir Bryan Woolfson, chairman of Wembley Stadium, comes to the end of its remit this year. While its main role has been to advise government on setting up Tecs, it has taken on a number of other central responsibilities such as getting the Investors in People Initiative (IIP) off the ground.
- There is concern about G10, which is being asked to take on a greater workload and is becoming over-stretched. Agendas for meetings at national level have often contained too many topics with too little time for each.
- The new national training targets, drawn up by the Confederation of British Industry (CBI) and endorsed by many other organisations including the government, need to be monitored nationally and examples of best practice publicised.
- The performance of Tecs vary, and because they have been fiercely independent, there is a need for them to share best practice.

Lisa Wood

Take the high road

While English and Welsh Training and Enterprise Councils ponder whether to press the government to create a new central body to co-ordinate and support them, they are directing their eyes northwards to Scotland.

In Scotland the equivalent of Tecs, the Local Enterprise Companies (Lecs), were born at the same time as their umbrella organisations. Outside the Highlands the Lecs come under Scottish Enterprise, while in the Highlands their parent body is Highlands and Islands Enterprise. These bodies have their own strategic development function and also act as a useful buffer between the Lecs and central government.

It may be partly because of this difference with England – where Tecs contract directly with the government – that the Lecs appear more successful than the Tecs and on the whole have looked happier than their southern counterparts.

In Scotland the creation of Lecs was part of a drastic reorganisation of two long-established bodies, the Scottish Development Agency and the Highlands and Islands Development Board. Their successors, Scottish Enterprise and Highlands and Islands Enterprise, devolved many economic development powers to the new enterprise companies, which also took over training functions from the Training Agency.

So although both Tecs and Lecs have responsibility for training and business development, the 13 Lecs under Scottish Enterprise in lowland Scotland have a much stronger development function than do the Tecs and they resemble mini-development agencies.

The Scottish Lecs have larger budgets in relation to their populations than the Tecs. While nearly half their funds go on training, they also have substantial budgets for environmental improvement work (including property development) and business development.

Whereas in England some of the Tecs have had difficulty making themselves known both to the business community and the public, in Scotland the public sector has a higher profile, and the SDA and HIDB were already well known.

The creation of Scottish Enterprise's network of Lecs has released a great deal of human energy into economic development. In Edinburgh, for example, responsibility for development was devolved by Scottish Enterprise to Lothian & Edinburgh Enterprise Ltd (known as LEEL), a free-standing body with a budget of £45m. LEEL has made an impact by backing projects which required pulling together other bodies such as Edinburgh district council and Lothian regional council.

Under its chairman Sir Charles Fraser, an energetic Edinburgh solicitor with legendary contacts, it has brought Edinburgh's long nurtured dream of creating an opera house closer to reality.

In Lanarkshire, south-east of Glasgow, the Lanarkshire Development Agency has been given the task of regenerating the local economy after the closure of British Steel's Ravenscraig plant. In Ayrshire, to the south-west of Glasgow, Enterprise Ayrshire is drawing attention to an area of Scotland which the SDA tended to neglect.

Some critics argue training is becoming a poor relation of high profile environmental/property projects. The criticism does not apply to all Lecs: several have made an attempt to integrate training with enterprise development. At Enterprise Ayrshire training and business development are interwoven in the management structure.

Under John Lord, its chief executive, Enterprise Ayrshire is trying to escape the straitjacket of the official training programmes YT and ET, whose names have been abandoned in favour of Ayrshire Skills Training. The aim is to use knowledge of local companies to tailor training to their specific needs.

Other critics fear that a development effort in lowland Scotland which was formerly closely co-ordinated is being diffused or "balkanised" as Lecs pursue their own strategies, some of which may conflict with other Lecs.

Several of the Lecs, on the other hand, complain that they are excessively constrained by Scottish Enterprise National (as the parent body, is now known).

At Scottish Enterprise National, Crawford Beveridge, the chief executive, says that the loose network is "fulfilling the aim of applying local solutions to local problems. Solutions are being found that would have been unthinkable under the old monolithic structure."

In reply to critics who argue that the network is too loose and that Lecs are inclined to spend on the easy options such as environmental improvements, he says that Lecs' budget requests are scrutinised to make sure that they are in line with Scottish Enterprise's overall plan Strategies for the 1990s.

In the 1992/93 bidding round for Scottish Enterprise's £400m budget for the Lecs, the local enterprise companies overbid on property schemes and underbid on projects to develop tourism and to "internationalise" Scottish business.

Mr Beveridge says the Scottish Enterprise network has "a much more pragmatic relationship with the Scottish Office than the Tecs have with the Training, Enterprise and Education Division (TEED) of the Department of Employment". Many of the Tecs' dealings with TEED are very legalistic and they are related to their contracts, he says, whereas the Lec chairmen only refer to their contracts "as a last resort".

He also says that Scottish Enterprise's ability to get the 13 Lec chief executives "in a room together once every three months is a very powerful management tool".

As for the counter-criticism that Scottish Enterprise National, which itself has a budget of £65m and employs 390 people, exercises too much control over the Lecs, Beveridge replies: "The Lecs are ambivalent about this. When we ask them 'What should we be doing?' we get a longer list than the list of what we actually do at the moment.

"We look at our support services and ask whether they should be here in Glasgow or out at the Lecs. Three months ago I offered to split up our legal department but the Lecs refused – it would have put their costs up. But I've promised I will go through all the support services function by function to make sure that the services are being provided in the right place."

James Buxton

Sobering tips on alcohol

Dr Michael McGannon urges you to keep tabs on your tipples

HEALTH CHECK

If you are over 45 and have at least four drinks a day after work, you should be concerned. Yet most managers are reluctant to face the problem of alcohol abuse, despite the quantity and quality of research on the subject.

My own findings suggest that managers have a folkloric understanding of alcohol's effects. When asked about their weekly consumption of alcohol, more than 80 per cent ignored wine and beer, counting only spirits as "alcohol".

Adding to the misunderstanding are the old wives' tales about alcohol. More than 60 per cent of interviewed managers believe that alcohol is "good for the heart" or "helps in digestion".

Alcohol is the principal means by which the highly stressed manager can anaesthetize himself. Moreover, many executives still see alcohol as a "lubricant" for contacts and deals, and do plenty of business around alcohol.

Alcohol can be a source of enjoyment but is it part of your problem or your solution? The chances are that alcohol is a "problem" if you are drinking more than 28 units per week (a "unit" is a glass of wine, bottle of beer, or a shot of spirits).

Researchers from Barcelona recently published in the *New England Journal of Medicine* results of studies which demonstrated that the muscle fibres of the heart are weakened by heavy drinking.

The Framingham Study of nearly 5,000 people confirmed that, instead of being "cardio-protective", heavy alcohol use can be toxic to the heart and skeletal muscle, causing dangerous enlargement of the pumping chambers of the heart.

When used injudiciously, alcohol impairs a full range of functions both cerebral (memory, concentration, judgement and learning) and physical (sexual, co-ordination, balance and speech).

It has been estimated that more than 60 per cent of liver cirrhosis (irreparable scarring of the liver) is caused by alcohol, and you need not be a "problem drinker" to develop alcoholic's liver disease.

Alcohol is also a rich source of non-nutritive calories and, therefore, heavy drinking is associated with weight gain and vitamin deficiency. Moreover, alcohol can cause marked water and mineral losses, leaving you tired and weak.

Some managers already recognise all this and no longer view drinking as a rite of passage for advancement in international business life. For the rest:

- The first step is to know where you stand. Start by counting the number of drinks you have in a typical week, both at work and at home. Maintaining a ceiling of 3 drinks per day is, by most estimates, probably safe. Binge drinking is to be avoided.
- To gauge your relationship to alcohol, abstain from drinking for two or three weeks and see how you react. Are you easily irritated? Is your sleep pattern disturbed? Did you lose weight? If the answer to any of these questions is yes, consider cutting back to one to two drinks per day with meals.
- As up to 25 per cent of alcohol can be absorbed through the stomach wall, never drink alcohol on an empty stomach. Buffer the effects with fruit juice or water before sending down your first drink. This can prevent the gastric irritation caused by alcohol that can impair digestion.
- To avoid the dehydrating effects of alcohol, make every other drink at a business function a non-alcoholic one. After an evening of drinks, consume water freely to avoid the dreaded hangover.

By weaving these measures into your working life, you will be able to "lubricate" business deals while avoiding the slippery slope that can lead to ill-health, poor professional performance and failed marriages.

The author is the medical director of the Insead Business Health course.

● Bank of England delivers gloomy report ● Government aims to stem bankruptcies ● Borrowing grows as tax receipts decline

UK recovery delayed by weak demand

By Peter Marsh, Economics Staff

THE UK economy is unlikely to grow significantly this year, the Bank of England said yesterday in a report which described prospects of a recovery as "elusive".

In its latest quarterly bulletin, the Bank said there were some indications of increased business activity but consumer demand remained weak due to high debts.

"The post election recovery in consumer demand has proved fragile with no clear sign as yet that demand is moving ahead of last year's depressed level," it added.

The central bank's depiction of an economy continuing to bump along the bottom came amid other generally depressing economic news for Britain:

● Sterling hit another low against the D-Mark, falling half a pfennig to close in London at DM2.8125, its weakest level since Britain joined the European exchange rate mechanism in October 1990.

● Government figures published later today are expected to show that UK output excluding oil and gas production remained flat in the second quarter of the year. This measure has so far shown a fall for seven successive quarters, making the recession the longest since the 1930s.

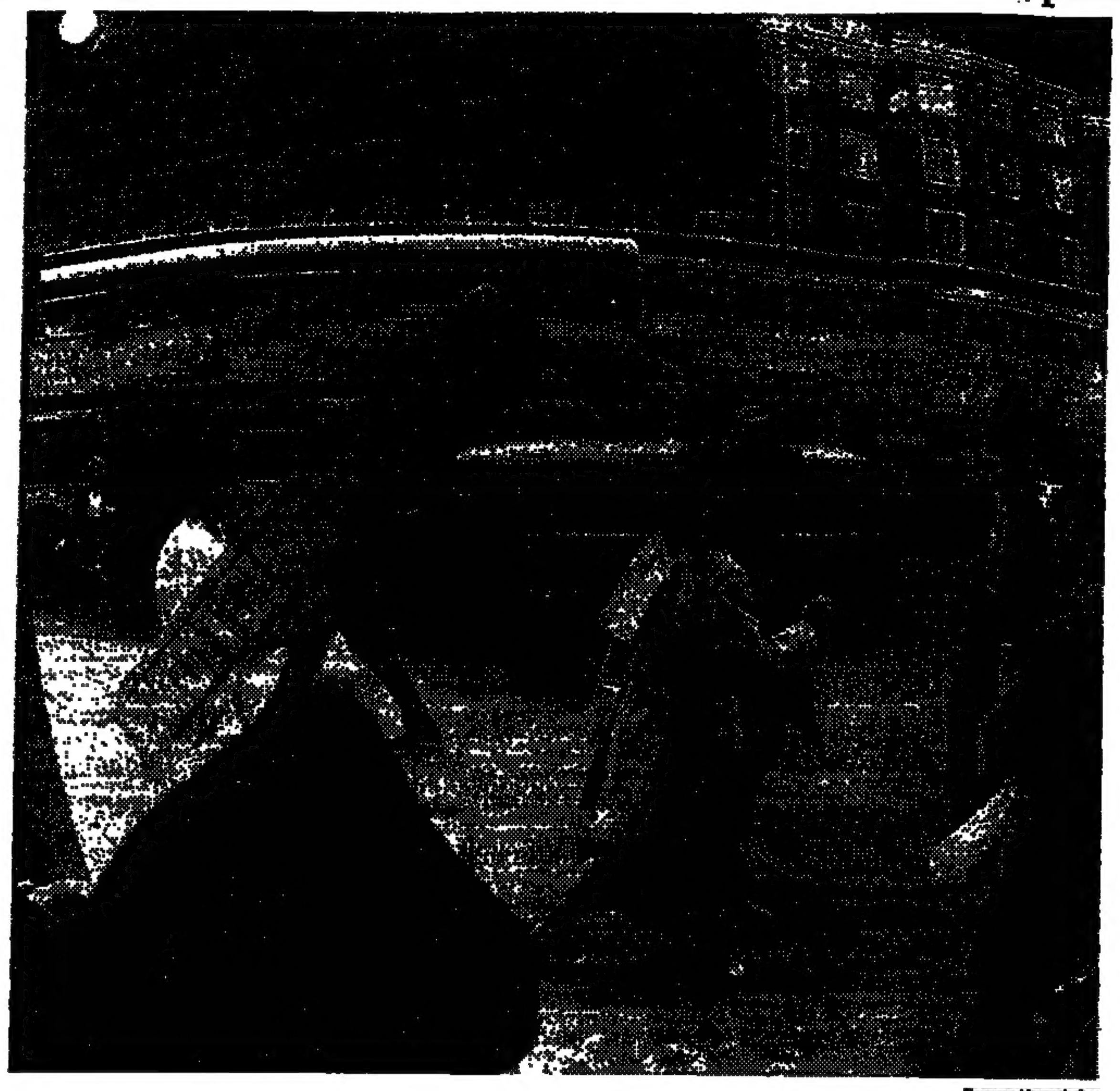
While stressing the economic gains from low inflation, the Bank said "the general improvement in business and consumer confidence in May has not been sustained".

Consumer spending was flat, while the housing market "shows few signs of reviving". The Bank added: "The outlook remains very uncertain but slow growth in the economy should be evident in the remainder of this year."

The Bank said the signs of economic weakness should not shake the resolve of Mr Norman Lamont, the chancellor of the exchequer, in refusing to consider a sterling devaluation. According to Bank officials, keeping sterling within its ERM bands is vital in achieving sustainable growth.

The report prompted a strong response from Mr Gordon Brown, Labour's "shadow" chancellor, who called the bulletin "one of the gloomiest ever".

Currencies, Page 28
London markets, Page 21



Trevor Humphries

Passing trade: The unwillingness of consumers to increase their spending on retail goods is likely to hold back Britain's economic recovery, according to the Bank of England quarterly bulletin

Banks urged to reconsider attitudes to small business

By David Owen

THE GOVERNMENT is urging Britain's banks to think long and hard about the longer term viability of small business customers before deciding to withdraw their support.

With the government under mounting pressure to stimulate the economy, Baroness Denton, small firms minister, is holding meetings with all leading clearing banks to discuss the small business sector.

In an effort to stem mounting bankruptcies, she is asking banks to "spend more time working out whether there is a future" before pulling the plug on small business customers. Insolvencies totalled 40,000 in the first half of this year compared with 30,000 in the first six months of 1991.

She has also set up "hotlines" to bank head offices and extracted a commitment from all leading clearers to investigate specific cases referred to them by her office.

The minister is working towards the formulation of a voluntary code of best practice for banks in their dealings with customers. Such a code might include recommendations such as a minimum warning period to businesses before support is withdrawn.

The new government initiative comes ten months after the banks were criticised by the Office of Fair Trading for their often "insensitive, high-handed" treatment of small business customers.

The banks yesterday insisted that withdrawal of support for small business was always a last resort.

Deficit forces increased PSBR

By Edward Balls

THE FEEBLE state of the economy depressed government income and expenditure tax receipts last month, resulting in a higher than expected public sector borrowing requirement (PSBR) of £0.6bn.

The impact of the recession on the government's finances was masked by healthy privatisation receipts of £1.7bn from the second call on the sale of British Telecom shares. The July deficit, excluding privatisation receipts, was £2.2bn. This compares to a deficit of £0.2bn in the same month a year ago.

July's figure, released by the Central Statistical Office yesterday, brought the cumulative PSBR for the first four months of the 1992-93 financial year to £11.3bn, compared to £5.9bn in the same period last year.

The second successive month of sluggish tax receipts means that the government's target for the PSBR of £28bn in 1993-93 is out of reach, economists said. The Treasury's projections assume a 13 per cent rise in receipts from value-added taxation this year. But VAT receipts were £2.7bn last month, unchanged from the same month a year ago.

The shortfall on VAT receipts alone is likely to be £3¼-4bn this year, according to Mr Simon Briscoe, economist at Midland Montagu, the investment bank.

Bleak view of prospects in property

CONDITIONS in the housing market remain extremely bleak in most parts of England and Wales, according to the Royal Institution of Chartered Surveyors, writes David Barchard.

In its latest quarterly survey covering the three months to July 31, the RICS says a housing market recovery is being thwarted by a combination of factors including employment uncertainty, gloomy economic news, and the reality of negative equity.

Some parts of the country including Portsmouth, Bath, Saffron Waldon, Northampton, Cambridge, and Newbury, there seems to have a been a short term surge in activity caused by tomorrow's deadline on Stamp Duty exemption.

There also seem to be some stirrings in the housing market in parts of Yorkshire and Humberside.

Conditions in the housing market in the south east are said to be generally very quiet.

Consumers blame banks on card fraud

CONSUMERS blame the banks for not making credit cards more fraud-proof, but are reluctant to pay extra for photocards or thief-proof "smart" cards, according to a Mori survey for Readers' Digest, David Barchard writes.

About 2m payment cards are lost or stolen each year in the UK, with losses of around £166m for the banks.

Two out of three people interviewed blamed the banks for failing to do more to make credit cards fraud-proof.

Of 2,049 cardholders interviewed, 58 per cent said they would not pay extra for a photo-card or a thief-proof smart card. Some 27 per cent said they would pay £2 or more for additional security.

Barclays, the largest UK card issuer, said yesterday it was pioneering the use of artificial intelligence which can detect fraudulent patterns of spending on cards. The system detects around 40 such cases each week.

CityTV models all the news that's fit to broadcast

A VICTORIAN building in downtown Toronto may become the model for Britain's fifth television channel.

CityTV, an influential voice behind the proposed Channel 5, has pioneered a "high energy" broadcasting style, producing two 24-hour-a-day shows from Wesley Buildings, former headquarters of a publishing company. But more than the programmes, Wesley Buildings is the star of the station.

The entire building is the studio. Around it, there are 36 camera connection points – looking like red fire hydrants. Grids for mounting cameras cover the ceilings. Lights are rigged ready for an interview or a piece to camera in the boardroom and office of Mr Moses Znaimer, the station's founder. He is also the consultant executive producer to the consortium which is the only bidder for Channel 5.

Programmes are broadcast live from his office, from corridors, a balcony, the car park or the station shop.

"We do heavy metal groups from the sub-basement for the atmosphere and we even did Phil Collins from the washroom," said Mr Jay Switzer, the station manager and a consultant to the Channel 5 team on the "model" – the industry term for the mixture of music, films and local news that has given CityTV second place in the competitive Toronto television marketplace.

The station which has a staff of 390, is informal, mildly irreverent and aimed at the 18 to 49-year old market. Analysts say it has a turnover of between C$80m-C$90m and is increasingly profitable in spite of the recession. Because it is a private company no profit figures are revealed but costs are said to be much cheaper than conventional television.

Bureaucracy is kept to a minimum and there is no personnel department. It is up to producers to find the right people. "We want people who live the beat and can learn the television skills," says Mr Switzer.

Some top producers started as switchboard operators. Editors working on news clips tell the audience what stories they're working on by way of promoting the news. "We glamorise the process not the conclusions. Some production assistants get more fan mail than the presenters," Mr Switzer adds.

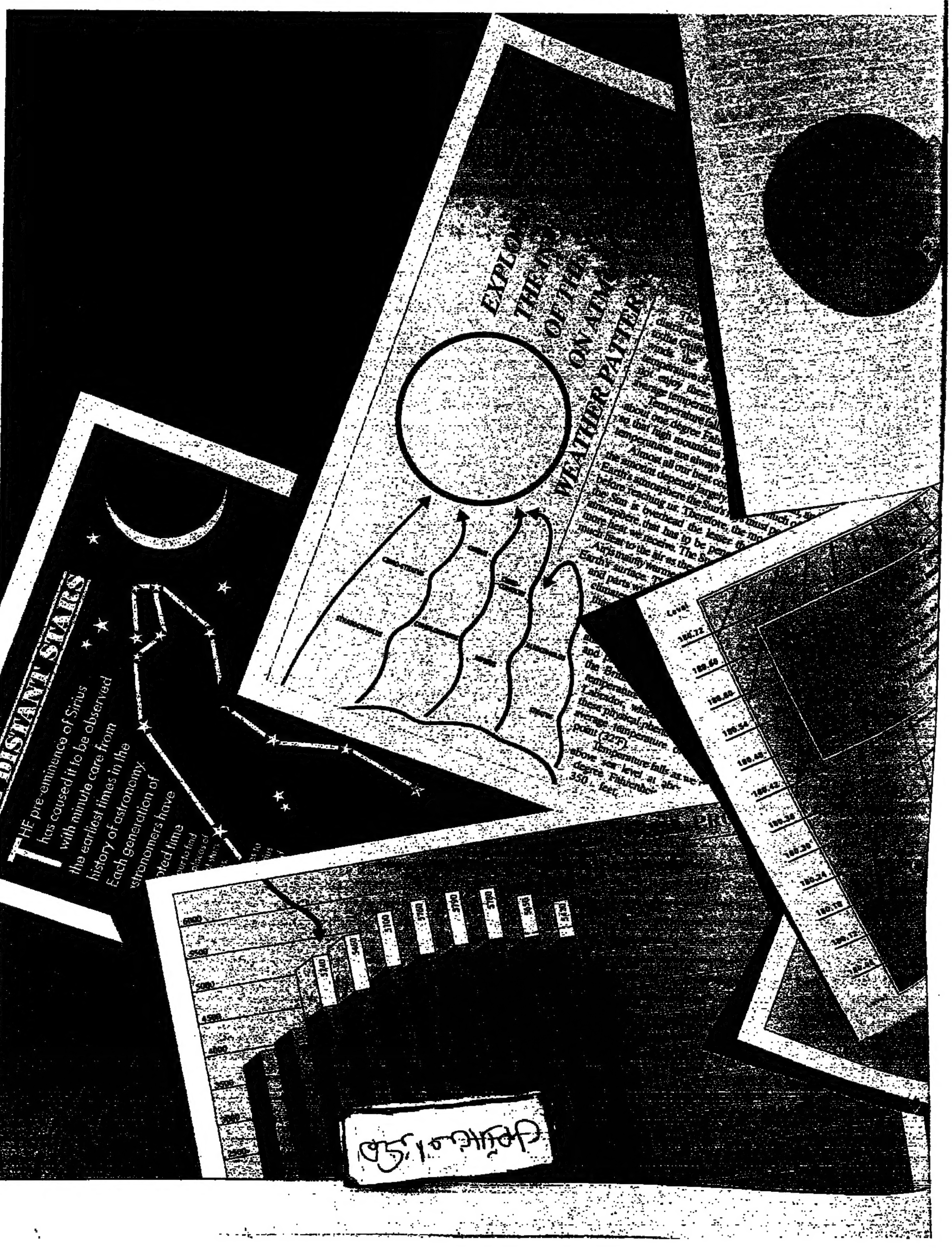
"We have all the national and international news but it comes further down the order than what's happening in a teacher's strike that affects your kid," he says. "You tell me this won't work in London? I dare you."

The Independent Television Commission is now assessing the bid for Channel 5 – a bid led by Thames Television which has yet to be financed.

The bid is backed by Thames's parent, Thorn EMI, and Sony Pictures, the Hollywood studio group, has renewed its interest. There have also been initial discussions with Viacom, the US media group.

Potential investors in Channel 5, which plans to launch first in London, then Manchester followed by other UK cities towards the end of the decade, have already raised the possibility of going to other countries. Eventually Mr Znaimer believes large cities all over the world will have their equivalents of CityTV.

Raymond Snoddy



Labour to back full employment

By David Owen

THE RESTORATION of full employment as one of the core aims of the Labour movement will take a further step forward next month at the annual conference of the Trades Union Congress (TUC), the umbrella organisation for most UK unions.

The TUC aims to re-establish full employment as a central goal of economic policy and will be launching a new initiative Working For Full Employment at the conference in Blackpool.

Mr Frank Dobson, the opposition Labour party's employment spokesman, recently called for full employment to be put back at the heart of the party's policy. He said it would never be achieved again unless restored to "its proper place in the political and economic ambitions of our country and the rest of the European Community."

Full employment was a Labour commitment for many years, but the party's general election manifesto confined itself to pledging "a swift reduction in unemployment" and "to prevent long-term unemployment, rather than just trying to cope with it after it has occurred".

Long term jobless total passes 900,000

By David Goodhart, Labour Editor

THE NUMBER of long term unemployed, those out of work for more than a year, rose 64,000 in the quarter to July, to 905,000, the highest level since July 1988.

But the government said it saw "grounds for cautious optimism" because the rate of increase was slower than in the previous two quarters. It also pointed out that the total was 452,000 lower than the peak in April 1986.

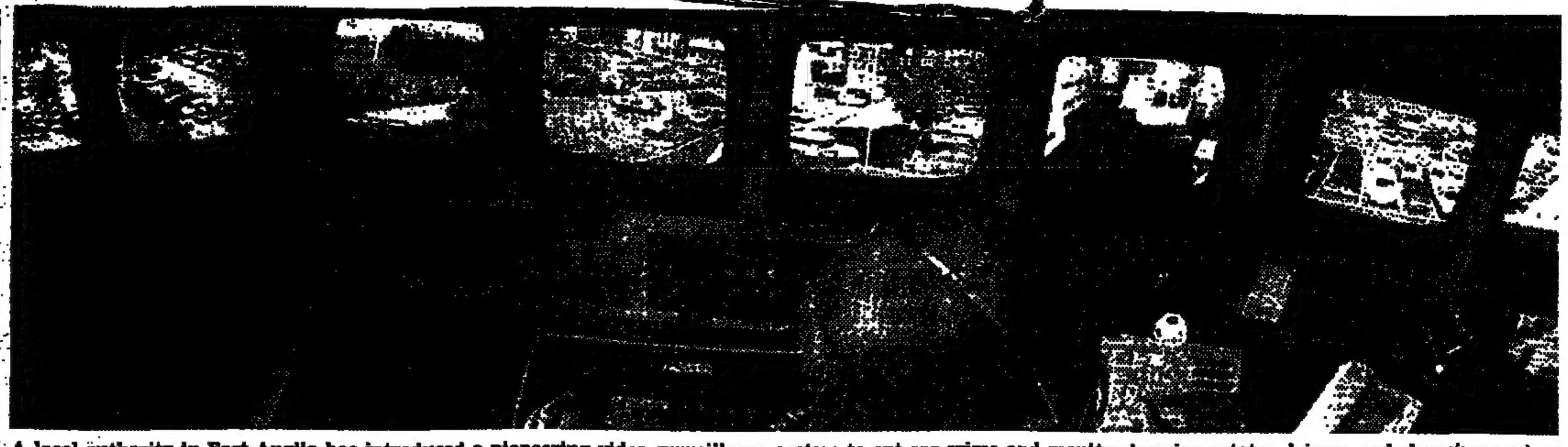
The long term unemployed form one third of the total unemployed population with the largest percentage increases in long term unemployment in the South East, South West and East Anglia.

The number of very long-term unemployed – those out of a job for more than five years – is at its lowest level since October 1984.

Among the 18-24 year olds long-term unemployment is up by 16,500 to 184,700, the highest level since January 1988 but it remains about half of what it was at its peak in January 1985. The government also says that the UK unemployment rate for under 25's, at 17 per cent, is below the EC average of 18.4 per cent.

In the light of the figures the opposition Labour Party and pressure groups warned the government not to pursue the idea, said to be under discussion in within the administration, of cutting unemployment benefit from one year to six months. Mr Frank Dobson, Labour's employment spokesman, said that such a move would now hurt 586,000 people. He also urged Mrs Gillian Shephard, the employment secretary, to resist cuts in training budgets.

"When she meets the Treasury, instead of offering them cuts in training she should remind them that every person unemployed for a year costs the taxpayer £9,000. She should remind them that if it wasn't for the £24bn price that the taxpayer is having to pay for unemployment they'd need no cuts at all this autumn", said Mr Dobson.



A local authority in East Anglia has introduced a pioneering video surveillance system to cut car crime and monitor housing estates, leisure and shopping centres. Kings Lynn borough council in Norfolk claims it is the UK's first multi-application surveillance system and is considering expanding offering the service to businesses.

Abu Dhabi defends BCCI rescue package

By Richard Donkin

MORE than 12 months after the closure of the Bank of Credit and Commerce International (BCCI), Abu Dhabi, its biggest shareholder and creditor, is feeling confident enough to face direct questions about its role in the bank.

Mr Ahmed Al Sayegh, a member of the working group established by the majority shareholders to negotiate with Touche Ross, the liquidators, has emerged as the emirate's spokesman at time when both Abu Dhabi and Touche Ross are anxious to obtain the support of creditors for the $1.7bn compensation agreement they negotiated over eight months.

Yesterday, in his first interview, flanked by two lawyers at the London offices of Simmons and Simmons who have been acting for the majority shareholders, Mr Al Sayegh said: "We believe the contribution package is a fair agreement. No-one else has come up with a viable alternative. We hope the depositors when consulted feel the same way," he said.

Mr Brian Smouha, the Touche Ross accountant in overall charge of the liquidation, had been a "tough bargainer" who had won the respect and co-operation of the working group.

"We decided not to walk away from Mr Smouha," said Mr Al Sayegh. "If we had decided to walk away from him we could have made his life difficult, but we didn't walk away. We decided to work with him because we decided it was in the best interests of the depositors and creditors."

He said that Abu Dhabi had already sought to help depositors by working with the Bank of England to put the money up on the interim compensation scheme. Abu Dhabi had paid for professional councillors for those BCCI employees in the UK who lost their jobs in the closure, he said.

It was clear that the emirate remains bitter about the way that BCCI was closed down after restructuring negotiations had reached an advanced stage. Before its closure, he said, the bank had been a "valuable asset with a new owner, new management and new capital." He added: "I still think that if it was not for the closure we could have still operated the bank."

He admitted that Abu Dhabi had been told by Mr Swaleh Naqvi, the former chief executive of BCCI, in April 1990 that deposits belonging to Sheikh Zayed al Nayan, the ruler of Abu Dahbi and president of the UAE, had been misappropriated, but said that this did not amount to a confession.

"We didn't get evidence for this, we didn't get records, we didn't get anything." He said that Mr Naqvi at that time had lacked credibility.

He stressed that Abu Dhabi was committed to presenting a case. "We are the biggest victims, we have lost billions of dollars, our laws have been violated, our reputation has been damaged, so we cannot let this pass without proper investigation or a proper prosecution." He added: "We are going to go after everybody who has conned us."

Britain in brief

Former oil executive found dead

A British oil executive who shared in one of the biggest post-takeover payments in British corporate history has been discovered drowned after apparently battering his wife to death.

Police named the dead man as 48 year old Mr David Elton, a former executive director of Ultramar, the oil and gas group bought by Lasmo following a three-month £1.1bn take-over battle last year.

Mr Elton's body was found on Monday morning floating in shallow water off the coast, a few miles from his second home at Middleton-on-Sea, southern England. Police had earlier discovered the body of Mr Elton's 43 year old wife Jane at the house. She had died from head wounds.

Mr Elton resigned from the Ultramar board in January. Within days Lasmo announced that he and six other former Ultramar directors would share an £8.1m pay-out, including a top-up to their pension funds.

Jensen calls in liquidators

Jensen, manufacturer of high performance sports cars for the rich and sometimes famous, is giving up the struggle against market indifference and calling in Grant Thornton, accountants, as liquidators.

Grant Thornton officials have already visited the Jensen works in West Bromwich, central England, to look over the books and property of a company they hope to sell as a going concern. Creditors are owed £638,000. Jensen cars have a list price of about £100,000 and have been sold direct from the factory. But this year only one Jensen car has been sold, to West Germany. And there are no orders.

Acquisition for Lloyd's agency

A J Archer, one of two Lloyd's agencies listed on the stock exchange, has agreed in principle to acquire the Lloyd's agency businesses of Cuthbert Heath Holdings, creating one of the largest businesses at the insurance market.

This year the Archer and Cuthbert Heath managing agencies administered the affairs of 16 separate syndicates which have a combined capital base (or stamp capacity) of £500m. The two members' agencies handle the affairs of over 500 Names, the individuals whose assets support underwriting at Lloyd's.

Newspapers plan advert deal

Three rival newspaper groups have announced a joint venture to produce advertising brochures to be inserted in selected weekend titles, with a total potential circulation of 9.5m. Brand Movers, an equal joint venture by Express Newspapers, Mirror Group Newspapers and The Telegraph, is to publish a full colour magazine-format advertising brochure – to be called Moneysavers – offering price reductions on consumer goods.

Revenue will be split according to the relative circulation of the newspapers. None of the newspapers were prepared to predict how much revenue would be raised.

Call for stamp duty abolition

More than two out of three MPs want to see stamp duty – the government tax on home purchases – abolished altogether, according to a survey by Access Opinions.

A total of 68 per cent of MPs would welcome this, according to a poll conducted through the body's 100-strong political opinion panel of members of parliament.

This comprised 65 per cent of Conservative MPs and 67 per cent of Labour members. Only 12 per cent of MPs supported the reimposition of the tax as scheduled.

Investors sue building society

A group of 27 elderly investors who bought home income plans through the Cheltenham & Gloucester Building Society, have issued a writ against the society asking for mortgages with it to be set aside and for payment for distress and suffering. Mr Peter Stafford, of Harrison Clark, the Worcester firm of solicitors which issued the writ, said that he expected a further 160 investors to add their names to the writ when it came before the High Court.

"This is the first multi-party action arising from a home income plan and we expect that it will arouse considerable interest," Mr Stafford said.

Job evaluation introduced

A job evaluation system for healthcare employers has been developed for Manchester Central Hospitals (MCH), which was in the first wave of National Health Service trusts in April last year.

KPMG Peat Marwick, which developed the system in conjunction with MCH, hopes to sell to other NHS trusts which want to break away from the centralised pay and grading structure. MCH employs about 6,000 and has more than 450 different jobs.

Vauxhall car prices rise

Vauxhall, the subsidiary of General Motors, has followed Ford by increasing the price of most of its cars by an average of 1.9 per cent with effect from midnight last night. Prices of most car-derived vans rise 1.3 per cent.

Video camera sales increase

Sales of video camera recorders topped 500,000 last year – more than six times higher than in 1986 – and will reach 1m a year by 1996, according to a report by Euromonitor, the market researchers.

BUSINESS AND THE ENVIRONMENT

Rough time for birdies

Are golf courses an ecological hazard and a waste of scarce resources, asks **Peter Knight**

Golf courses should be built like billiard tables, with buffers around the fairways to prevent balls and spiked shoes from damaging the environment.

This rather extreme suggestion was made by a Dutch ecologist who evidently knows more about the countryside than the role of the rough in golf. But the growing number of courses around the world has caused alarm among many environmentalists, conservationists and local communities.

Critics have a long list of complaints. Highly manicured courses ruin the look of the countryside. Chemicals used to keep the grass perfect cause pollution and damage wildlife. And the water needed to fill the traps and keep the grass green constitutes an inappropriate use of a scarce resource.

"Most courses use the spray irrigation system, which is an inefficient way of watering because most of it evaporates," says Liana Stupples of Friends of the Earth.

But FoE is not flatly opposed to golf courses. It acknowledges that some provide an ideal habitat for wildlife and indigenous plants. This is especially true when courses are built on land that was previously used for intensive crop farming.

Nevertheless, there is often strong opposition to new golf courses and criticism of green-keeping standards. In the US the National Coalition Against the Misuse of Pesticides has highlighted the case of a 30-year-old naval officer who died as a result of an allergic reaction to fungicide on a golf course.

The Tokyo-based Global Network for Anti-Golf Course Action accuses Japanese leisure companies – which lack suitable land at home and are expanding overseas – of exporting environmental destruction. The network's main complaint is about the over-use of chemicals.

In Hawaii, a favourite destination of Japanese holidaymakers, chemical run-off from courses has been blamed for killing coral. And a local action group is aggrieved that the Japanese are planning to build fairways on the burial ground of the Hawaiian royal family.

In the UK, applications to build courses – from large companies, such as Legal & General, to local farmers – have also spawned protests.

A report published last year by Greene, Belfield-Smith, the leisure industries arm of Touche Ross Management Consultants, predicted that the pace of development of European golf schemes will soon overtake that of the US. Europe would become the world's fastest growing golf market.

The UK already has more than half of the Europe's 3,687 courses.

In the UK alone, 60 golf courses are expected to open this year

The Royal & Ancient Golf Club at St Andrews – the spiritual home of golf – warned in the late 1980s of an acute shortage of courses. It said about 700 were needed to satisfy rising demand in the 1990s.

This was good news for farmers who were under pressure from the EC to withdraw land from agricultural use. It was also greeted enthusiastically by property developers. They saw big potential profits by buying the newly available land and building facilities to satisfy golfers who, they believed, were willing to pay handsomely for the pleasure of bashing a ball.

But the recession has ruined the swing of many golf entrepreneurs. People can no longer afford big premiums to join new expensive clubs. And the slump in the property market has killed the expected profits from associated hotels and housing.

Scores of golf projects are on hold and many new courses have gone bankrupt. Nevertheless, 60 courses are expected to open in the UK this year and 2,000 are planned.

Environmental concern about golf courses can be divided into three issues:

● **Course design.** The image of the perfect golf course has been created by television coverage, especially of big US tournaments. These are played on lush man-made landscapes of minutely manicured lawns that depend heavily on chemicals to maintain the effect.

"Some designers change the landscape altogether," says Tim Forrester-Muir, owner of the Forrester Park course in Essex. "They mould the course of their dreams, but others use the existing landscapes."

It is the television-style courses that antagonise the environmentalists most. They destroy existing ecosystems and demand a heavy chemical input. For example, the Moatlands course near Tonbridge, Kent, which is owned by a Japanese company, is built entirely on shipped-in sand rather than soil.

● **Course management.** There are no recognised environmental standards for maintaining courses but greenkeepers are becoming aware of the increased concern about chemicals and water use.

"Greenkeepers see themselves as saviours rather than sinners. They will move heaven and earth to preserve the flora and fauna," says David White, editor of Greenkeeper International.

Jeffrey Collinge, a management and engineering consultant working in the Netherlands, is developing a model management programme for the Dutch Golf Federation. "The problem on a golf course is not limited to pesticides, water and fertilisers. The largest area of a course – 40-70 per cent – is the rough. The way this area is managed will play a major role in the total environment impact."

Collinge says course management needs a standard to which all greenkeepers can adhere. He is looking at the suitability of the new British Standard on environmental management (BS7750), which should soon become the basis of an internationally agreed standard.

"In the Nethlands an environmental impact report is mandatory for permission to build an 18-hole course. But then there is no compulsion to manage it in an environmentally friendly manner," he says.

● **Development scale.** The development debate is coloured by the prevailing view of what the countryside should be used for and, consequently, what it should look like. Golfers argue that a course which is sympathetically designed and includes areas that provide a habitat for animals and plants is far more acceptable than, say, a field of rape, linseed or wheat.

But local protest groups, who view golf courses as the trojan horse of developers, want developments that are sympathetic in scale and cater for locals.

Forrester-Muir thinks courses such as his act as ambassadors for the environment. "This is a great introduction for the general public. It is often their first step from the pavement to the grass. People suddenly start taking an interest in the land when they walk around a course."

Top scores in the green ratings game

Ian Rodger looks at a scientific method of assessing companies on their environmental risk

Some day, companies may be rated for their environmental risk just as they are rated now by Moody's and Standard & Poors for their financial risk.

At least that's the hope of Robert Chanson, a Swiss lawyer who has established Eco-Rating International, a Zurich-based company specialising in ecology rating.

Chanson says a number of organisations now carry out environmental assessments and audits on companies or factories, but usually on an *ad hoc* basis and often in combination with assessments based on ethical issues, such as treatment of employees in third world countries.

"We want to establish a scientific approach that will bring about a more rational assessment," Chanson says.

Eco-Rating's objective is to develop a universally applicable assessment method so that an Indonesian textile company could be measured against, say, a British steel company on ecological criteria. For the moment, however, as a start-up business, it has to concentrate on specific assessments that clients are willing to pay for. Chanson says his main potential clients are managers of the so-called green funds which invest in companies providing products or services that improve the environment.

He is trying to convince these funds to commission his group to make assessments of the companies they invest in and then to rank their fund against other green funds. He says there are some 200 green funds around the world, and they tend to invest in the same pool of roughly 500 environmental technology companies.

"We have received a signal from the market of interest in comparatively simple information. They want to know if a product or service offered by a company really does benefit the environment, and if the technology employed is of a high or low standard."

He proposes to make what he calls eco-tech ratings on these companies. To demonstrate the method, he has recently carried out an assessment of the Swiss maker of low-emission burners and paints, Elco Looser.

The first task was to examine the company's product portfolio and determine the proportion of its sales coming from environmentally beneficial products. In the Elco Looser case, 32 per cent of its products were considered to produce a net environmental gain and the rest of the products were not seriously damaging to the environment. Chanson says a company that produces really nasty things, such as DDT or military explosives, would get a zero rating even if it also made some environmentally beneficial things.

Then each product or service was rated on a scale from 1 to 5 on its technological standard, using EC guidelines on the best available technology. The resulting figures were weighted according to the percentage of total sales represented by each product, and then converted into an average rating for the whole company which turned out to be 4.17.

If he were doing ratings for a green fund, the ratings of all the companies in which the fund held shares would be aggregated to produce an overall rating for the fund itself. This could then be compared with the ratings of other green funds.

Chanson said Eco-Rating was close to concluding an agreement with a green fund operated by one of the Swiss banks to carry out such a rating and was in negotiations with other funds run by German banks. "We will get experience with this, and then we will try to develop other tools," he said. Already it has drawn up an outline scheme for rating ordinary companies, for example those not specialised in environmental products (see box).

Eco-rating for non-environmental companies

- Environmental impact – emissions, use of natural resources, disaster risk
- Logistics – methods of transporting personnel, materials and finished goods
- Infrastructure – construction of buildings, equipment
- Ecological profile of products
- Compliance with environmental laws and guidelines
- Environmental risks from research and development
- Management – delineation of responsibilities, qualifications, allocation of resources
- Soft issues

While it is obvious that companies in heavy industries, such as steel, could not hope to score as well as companies in lighter manufacturing or service sectors, Chanson argues that the ratings could nevertheless be used to compare companies within a given sector.

He also admits that the final item in the list, soft issues, does not easily lend itself to scientific analysis. But he says they are important in assessing risks. For example, a company selling a pesticide may only advise users to put exactly one litre in the dispenser, or it may provide a measuring cup to ensure that the user pours in the proper amount. The latter would get a higher rating.

Perhaps, as in financial rating, there will have to be an element of subjectivity in eco-rating.

PEOPLE

Portuguese to head EBRD infrastructure

The former director general of the Portuguese treasury, Manuel França e Silva, has arrived at the European Bank for Reconstruction and Development (EBRD) as head of the newly created financial infrastructure department.

Having worked on the restructuring of the Portuguese capital markets, a series of privatisations and the implementation of a new payments system, he reckons he is well-placed to advise central and eastern European countries on the urgent reform of the financial sector.

The new department, within the developing banking area, has around ten professionals.

Until now, the two-year-old EBRD appears to have spent more time on efforts to encourage private sector initiatives, using professionals from its merchant banking group.

But little can happen without an adequate public sector framework.

"Mr França e Silva brings to the Bank in-depth experience and knowledge of international finance structure and mechanisms," says his new boss, Mario Sarcinelli, vice president of development banking at the EBRD, who previously held the same position as França e Silva at the Italian treasury.

While he has spent most of his career as a treasury official, França e Silva spent a brief interlude in government between 1981 and 1983 as secretary of state at the ministry of agriculture.

After a year studying at Yale he moved to Washington DC for five years in the financial institutions division of the Inter-American Development Bank.

Asked how he proposed to embark on his job and which countries would receive priority for EBRD advice, França e Silva said yesterday: "I have only just arrived. In a month I will have a better idea."

Non-executive directors

■ **Bill Caldwell**, recently retired senior partner of Price Waterhouse, at H YOUNG (HOLDINGS).

■ **John Langham** has retired from BPB INDUSTRIES.

■ **Colin Palmer**, chairman of the British Computer Society's task group on hybrid managers, becomes chairman at BUSINESS INTELLIGENCE.

■ **Sir Timothy Bevan** is retiring from BET.

■ **Jack Gore**, recently retired chairman of J H Minet, as chairman at ENERGEX INTERNATIONAL INSURANCE BROKERS.

■ **Sir Peter Gadsden** and **Michael Andrews**, respectively chairman and deputy chairman of ABERFOYLE HOLDINGS, have resigned.

■ **Peter Long**, a founder shareholder of the Framlington Unit Trust Group, and **Robert Adair**, chairman and chief executive of Terrace Hill Group, at BECKENHAM GROUP.

■ **Jean-Paul Parayre** has resigned from ALFRED McALPINE.

■ **Kenneth Graham**, chairman of the Scottish Post Office Board and former group chief executive of Scottish and Universal Investments, as chairman of SCOTTISH LEGAL LIFE ASSURANCE SOCIETY.

■ **John Harris**, chairman of South Staffordshire Water, at BRITISH FITTINGS.

■ **Peter Bonfield** (right), chairman and chief executive of ICL, at BICC.

■ **John Roemisch**, formerly vice-president Europe based in Düsseldorf, has been appointed md of GMFanuc ROBOTICS (UK); he succeeds **John Halenda** who is returning to the US.

■ **John Simson**, chairman and chief executive of Connell, the estate agency subsidiary of Scottish Widows, has been appointed chairman and chief executive of CONSTANTINE HOLDINGS, a one-time owner of Connell. He succeeds **Joe Constantine**.

■ **David Yiend**, director of Trident Feeds, has been appointed to the board of BRITISH SUGAR.

Bridget Bloom, until recently agricultural correspondent of the Financial Times, has been named as one of the twelve commissioners of the Meat and Livestock Commission.

An umbrella organisation for the livestock industry, the MLC is behind campaigns such as the "Meat to Live" promotion – as well as being kept busy during crises like the "mad cow" disease furore that erupted two years ago. The commissioners represent the range of industry interests, with Bloom, 55, speaking for the consumer.

With a distinguished career spanning 24 years at the FT, Bloom had covered a wide variety of assignments. She had earlier been Africa, then defence correspondent, before taking up the agriculture beat five years ago. She was one of nine journalists suffering from repetitive strain injury who retired from the FT earlier this year.

BUSINESS LAW

Financing techniques to counter depressed property market

By Paul Severs

The announcement last month of an imaginative capital-raising exercise, involving the issue of £100m zero coupon bonds backed by an agreement to sell part of the issuer's property portfolio to institutional investors, heralded new financing techniques which counter the problems posed by the bear market in property.

The new techniques can be used by companies which are not, in the traditional sense of the word "property" companies, such as retailers, manufacturers and distribution companies, all of which often have substantial property assets.

Companies in this category historically looked to the banking sector to provide finance on either a secured or on an unsecured ring-fenced basis. In view of the UK banking sector reducing its exposure to the property market, such conventional financing techniques are no longer readily available.

To the extent that this type of financing is on offer it has become much more expensive and therefore less attractive. The new financing techniques provide a useful and competitive alternative.

The £100m zero coupon bond issue is a good example of the innovative and creative financing techniques which can be used to tap the capital markets to absorb property risk.

This risk can be removed from the bond holders in the following way. The property owner – a company with substantial property assets – can enter into a put-option with an investing institution, which entitles the property owner to require that institution to buy the property at a fixed rate at a specified date in the future – five or eight years from the date of the put-option, for example.

The duration of the put-option matches the maturity term of the bonds. The price the institution is obliged to pay for the property matches the amount necessary to redeem the bonds. The bonds are secured on the put-option rather than on the properties. The institution has therefore absorbed the property risk while the bondholder's risk becomes a credit risk on the institution – which would typically have an AA or AAA credit rating.

Institutional investors would be paid a commission fee to underwrite the value of the portfolio of properties.

There are a number of advantages to this type of financing. The property owner raises a sum of 60 to 70 per cent of the property's value at an attractive rate of interest while retaining total ownership of the properties, and any increase in value passes only to the company.

Management and letting control, together with the ability to dispose of the property at any time, are also retained by the company, provided cash collateral equal to the put-option price of the property can be provided. If cash collateral equal to the put-option price of the property is provided at any time prior to the bonds' redemption date, the put-options would fall away.

The property owner raises a sum of 60 to 70 per cent of the property's value at an attractive rate of interest while retaining total ownership

From the viewpoint of the institutions, underwriting property values is attractive business – being at a discount of 30 to 40 per cent of the property's current value. The institutions also have the expertise to assess the property risk and can retain monitoring powers and control to ensure that the value of the properties is preserved.

While the capital value of the properties is one element of the property risk, the other element is the rental income stream, where the risk is a function of the credit rating of the tenants. A zero coupon bond is not dependent on the rental income stream and this element of risk is sidestepped. Where a coupon is payable, this would be serviced from rental income and it is therefore important in this context.

Credit enhancement would almost certainly be required by way of a rental guarantor with an appropriate credit rating. The rental guarantor would absorb the credit risk of the underlying rental stream and the bondholders would ultimately look to the rental guarantor.

The financing structure described above concerns the situation where the property owner wants to retain the property assets. If a company wants to dispose of the whole, or a significant part of its interest in a property, an attractive commercial alternative is the factoring of the rental income stream.

This simply involves calculating the net present value of the total rental income stream from a property – typically this will be equal to a yield of 50 to 80 basis points above the appropriate gilt rate.

Continental investors have shown interest in paying a premium for appropriate rental streams because they fit in well with the provisions of annuities. As the buyer is taking a straight credit risk on the tenant's covenant, the latter's credit rating is fundamental.

Rental stream factoring can be used where a new lease is being created incorporating guaranteed minimum periodic increases in the rent, for example, on a new development. By adjusting the rental stream level and profile, this structure can be tailored relatively easily to meet the requirements of the company and investor.

The final technique to be considered is that involving the separation of the right to receive rental income from the property and the right to share in its capital growth. This technique can be used where a company wants to retain at least half of its interest in the property.

The structure can best be illustrated in the context of a sale and leaseback transaction. The property owner occupies the property but wants to realise a substantial part of its interests in that property. The owner sells the property to a company incorporated solely for the acquisition of the property and, once acquired, the latter would lease the property back to the company. The lease would have guaranteed minimum periodic rent increases.

This part of the financing technique is identical to the factoring arrangement already described and the same considerations apply in structural rental levels, the size of rental increases and the rental profile to meet the investors' and company's needs.

The specially created company would raise the finance to buy the property by issuing two classes of bearer instruments. One would entitle the holder to participate in the rental income and the overall value of this class would equal the net present value of the rental stream. As the investors are taking a credit risk on the tenant, credit enhancement by means of a rental guarantor may be appropriate.

The other class of bearer instrument would entitle the holder to participate in the value of the property after the lease has expired – the reversionary interest in the property. As the lease term runs to its maturity the allure of the property class of instrument would gradually increase while the value of the rental income instruments would reduce.

The financing techniques outlined illustrate the variety of ways in which a company can raise finance at competitive rates by utilising its property assets. By using the appropriate structure, a company can raise the necessary finance while selling as much or as little of its property interest as it wishes.

Using such techniques enables a company to make full use of its property assets. The success of the recent coupon bond issue shows that these types of structured financing deals are welcomed in the capital markets and can provide substantial commercial benefits to property-owning companies.

The author is a lawyer in the Property Finance Group at Clifford Chance.

Edinburgh International Festival

Cristina Hoyos

THE dance of this year's Edinburgh Festival – the most distinguished, on paper, since 1979 – has begun high on the applause meter. Cristina Hoyos, the dramatic flamenco dancer, who may be remembered from the Carlos Saura films of *Blood Wedding* and *El Amor Brujo*, formed her own company in 1988.

Boyos is a nice mix of opposites – sleek and explosive, earthy and elegant. She has an attack that makes her smallest move register powerfully for miles, and an intense, brooding presence. But if Hoyos is a true flamenco virtuoso, this programme does not show it. It is designed to promote her stellar lustre – no other female dancer is given any important choreography. But it also suggests Hoyos is deliberately making dances that will not expose any decline in her technical powers.

She also wants to make flamenco tell stories. Well, maybe it can, but not, surely, Lorca's *Yerma*? Yerma, a village wife whose goals are marriage and parenthood, is childless and unhappy about her husband's refusal to give her children. How do you convey "You are not making babies with me, Juan" or "She is sterile" in dance? Maybe you could mime it, but Hoyos is above that. She suffers statuesquely, she thrashes about the stage with a portentous gloom, she slides down her husband's body and, lying flat on the floor, opens her legs to him. But it looks as if her problem is merely his neglect, not her childlessness.

This would scarcely matter if *Yerma* abounded in great dancing. But it's just a potpourri of flamenco moods. And its music, played mainly offstage, is so heavily amplified that it might as well be a recording. If flamenco music does not sound live, and if the dancing does not sound like a response to live music, then it is not *flamenco puro*.

That goes also for the programme's other item, the all-dance *Lo Flamenco*. Here the musicians are onstage throughout – but the singers still look as if they're lip-synching. Two male dancers are given big solos, but their material is blandly academic in its bravura, as if it were designed to pass a flamenco dance exam (grade 8). They don't have the fantasy or the individuality that even the three male singers show in the daft little solos that they offer at encore time.

Still, *Lo Flamenco* feels like a happy party, with dancers and musicians all involved in something communal – until Hoyos herself enters, half-way through. The show promptly changes identity and becomes a star vehicle. She's certainly an arresting dancer, perfectly co-ordinated, and her solos are full of eccentric touches – zig-zag shoulders, sudden switches of direction. But even this is conceived, not as a response to music, but a slick exercise in audience manipulation. In that respect, though I myself found it phoney, it succeeds admirably.

Alastair Macaulay

At The Playhouse, Edinburgh, until August 20

Alastair Muir

Peter Blythe plays Major Voysey, the military man who has little brain but a loud voice

The Voysey Inheritance

Malcolm Rutherford

HARLEY Granville Barker's *The Voysey Inheritance* has long been regarded as one of the best English language plays of the 20th century, if only by a minority of critics. By the standards of Granville Barker, it has been performed quite often – more than 100 times before the First World War and periodically revived since. Some of his plays have not been performed at all. This year's Edinburgh Festival is doing its utmost to make up for the neglect.

When he planned it, Brian McMaster, the festival director, can hardly have known the good fortune that was coming his way. For *The Voysey Inheritance* is about fraud. A prominent solicitor invests his client's trust money on his own account and spends quite a lot of it on his own account as well. Gradually his family is drawn into the deceit. It is a question of desperately moving money around faster and faster in order to conceal how little of it remains.

For trust funds read pension funds and the contemporary ring is obvious. Line after line could come out of reports of recent fraud cases. As old Mr Voysey explains, to gain the confidence of his clients a financier needs a reputation for wealth. "And if one is not opulent in one's daily life, one loses that wonderful financier's touch."

Yet it is not the topicality alone that makes *The Voysey Inheritance* so riveting. I have seen it before and admired it almost as much. As a play, it is so splendidly adult. The theme is the ethics of business and let no one say that that was a less complex subject in Edwardian times than it is today. It was arguably more so because more people lived on capital, fraud was unexpected and there were few regulations to prevent it.

Corruption was just as insidious. When the extent of Voysey's wrongdoing becomes known, it is notable how many people join in the deceit in order to protect themselves. Even the vicar, at one remove, goes in for blackmail to cover his investments.

The strength of the play, however, goes beyond the subject-matter. There is a mastery of character and dialogue which is unusual in English drama, including Granville Barker's contemporary, Shaw.

At least four of the relatively minor parts stand out as gems of their kind. One is Peacey, the faithful office clerk played by Ron Pember, who has known about the fraud for years but wants a handout in cash to keep his son at Cambridge. Another is old Mrs Voysey, who has known as well but never discussed business with her husband. She has great presence but very few lines; played by Gillian Martell, she scores with every shot.

Then there is Frank Middlemass as George Booth, the old friend of Voysey, who stands to lose a great deal of money, even though he can afford to do so. He could be a bit of a stooge, but is played here with dignity and some feeling. The minor character who excels most of all is Peter Blythe as Major Voysey, the military member of the family with little brain but loud voice. "What England wants," he says, "is chest!" This part is a masterpiece of comic writing.

The play has its weaknesses. Edward, the Voysey son, who undertakes to put right his father's malpractice, starts out as something of a prig and is a hard role to deliver. Nevertheless, Peter Lindford goes as close as humanly possible to bringing him off. The other weakness, which has always dogged the play, is Granville Barker's attempt to drag in an extra theme of sexual equality. The on-off romance between Edward and his independent cousin and heiress, Alice, does not quite work. In William Gaskill's production, it is reduced to a minor impediment.

Gaskill has taken advantage of everything on offer. The beautifully refurbished Lyceum Theatre is exactly the right place for this play. The stage, with sets designed by Hayden Griffin, is big enough to accommodate it. The dinner table, around which all family disputes ultimately take place, is displayed in all its bourgeois finery. The details are perfect. After Edinburgh this week the production will go on to tour Bath, Woking, Oxford, Newcastle and Nottingham. See it wherever you can.

Ballet/**Clement Crisp**

A tribute to Fokine

BILLED as "A tribute to Michel Fokine" to mark the 50th anniversary of his death, the final programme in English National Ballet's summer season is a combination of séance and mugging – the spirit of the choreographer invoked and then given a thorough pasting. As an example of the unsuitable in pursuit of the unlikely, the evening has a weird interest, but as a celebration of the work of a genius who indelibly marked the ballet of our century, it is a non-starter.

The trouble is that texts and performance manner are wildly optimistic. The honourable exception is Dame Alicia Markova's staging of *Les Sylphides*. Markova learned the ballet from Fokine. He coached her in all three ballerina roles, recognising in her exquisite style the essential Romantic image that lies at the heart of this ravishing and difficult work. In her several productions, Markova has sought to pass on the physical nuance and musical finesse that Fokine demanded and which, in her own interpretations, she so beautifully displayed. On Monday night, ENB's cast tried hard to seize the dreams and drifting magic of the text: the fascination was in seeing how moments of Markova's own style – sweetly floating, so musically subtle – surfaced amid the dutiful performance, like happy memories.

The truly distinguished dancing of the evening came from Ludmila Semenyaka – who should have been seen in *Sylphides* – as *The Dying Swan*. She does not show us Fokine's text – her version is that Soviet recension which Ulanova used – but it is potent, and given by Semenyaka with intensest poetry and an aristocracy of means that are the mark of a great ballerina.

For the rest of the programme we might have been watching – it would be better to have watched – all-in wrestling. *Le Spectre de la rose* was made for Karsavina and Nijinsky, whose glory saturated their roles like the scent of the rose itself. ENB's pair – who had better remain anonymous – looked bemused. They also looked wholly unsuited to their task. A nasty clatter after the piece ended could have been *Le Spectre de Michel Fokine* expressing an opinion on this ludicrous staging.

What Fokine might have said about the programme's finale, *Scheherazade*, does not bear contemplation. There was the set, basically lit, with drifting clouds of dry ice – doubtless the slaves were having a quick puff before the main bout of the evening. There were the Bakst costumes, some of them even looking inhabited. There was Carlos Acosta – who has something of the right physical lusciousness for the role – making his debut as the Golden Slave, and determined to let us see that he could turn multitudinous pirouettes. There were lifts in an interpolated pas de deux which prove that necessity is the mother of invention when you have to galvanise an exhausted old romp – and I know of no romp older or more exhausted. There were conventional mime gestures, which Fokine abominated. There were tripping slaves, eunuchs, a Zobeide (in a role only now to be performed by a Lynn Seymour or an Asylmuratova) who shimmied like her sister Kate. There were meagre pearls that had never known an oyster, and guards who had never known a scimitar (it is not, one of the chaps had better be told, a fly-swat). And there was all the unbridled sensuality of a game of hop-scotch.

Poor Fokine. Poor ENB.

English National Ballet presents its Fokine programme at the Royal Festival Hall, London, until August 20

Television/**Christopher Dunkley**

Relativism on the beach

WE LIVE in an age of relativism. On Sunday, Channel 4 began a three-part series called *The Real Thing* which has a script so arch it should be straddling the Champs Elysees, and that makes it somewhat difficult to understand. However, the main thrust of its argument seems to be that science is a lot of nasty stuff dreamed up by a few clever-clogs to interfere with the instinctive wisdom of the noble savage, and that we are now, thank goodness, moving from the age of reason back into older habits of superstition. This programme is quite happy to consider on an equal footing the claims of the witch doctor and the modern surgeon. Relativism rules, OK?

Only 30 years ago, the need to explain why Keats was a better poet than Bob Dylan would not have arisen because the question would not have arisen. Today many members of the younger generation seem not only unsure about the relative merits of Keats and Dylan (in many cases they would champion Dylan as the greater poet because they have heard his lyrics whereas they have never read any Keats), but reluctant to distinguish at all between good and bad, to admit that scientific medicine is superior to voodoo, or that there is good art and bad.

The greatest influence in creating this sad state of affairs is surely television which assesses the significance of its programmes in terms not of their quality but of their ratings. The modern craze for sociology has reinforced the tendency. When soap opera is considered at all, it is considered not in terms of the quality of its drama but as a ratings contestant or as a jokey social phenomenon: isn't it funny, quite sensible people get hooked on them; panel investigations suggest that although some fans like to pretend that they "really believe", deep down they know perfectly well that it is all fiction, so that's all right isn't it.

Most insidious of all is the modern relativist's argument that in the end, when you come right down to it, there is nothing much to choose between *Eldorado* and *Hedda Gabler*: the neighbours come round, there is an argument, people shout at one another, sex rears its ugly head, everything blows up into a flaming row, and we all get an exciting climax. What does Henrik Ibsen have that Julia Smith doesn't? Perhaps the time has come to try to answer that question. Perhaps the few of us who have always insisted that there is a considerable quantity of very good material on British television, and that we should seek it out as we seek out good books and good operas, should stop being jokily dismissive about soap opera and try to say why it really is inferior stuff.

Television has not shown any version of *Hedda Gabler* in the recent past (why not?), but on Saturday Channel 4 did screen Fellini's astounding 1960 movie *La Dolce Vita* which will serve well enough to show the sort of thing that truly powerful drama can do which soap opera does not even attempt. *La Dolce Vita* is knowingly a part of a long artistic continuum which, down the centuries, has offered Italians, and of course everybody else, vividly illustrated commentary upon man's moral condition. It opens and closes with references to Dante. It is scathing not only about the church but about mankind's weakness for religious hocus pocus. It turns a series of spotlights on post-war Roman society and exposes the appalling contrast between material progress – cars, shops, architecture – and spiritual regression.

La Dolce Vita is certainly not beyond criticism: it is nihilistic, too long, and irritatingly episodic. All its characters are ciphers. It builds a huge pedestal for the absurdly shaped Anita Ekberg, its central icon (which, of course, Fellini is mocking) and then turns its back and never takes another look. It is flawed in other respects too. Yet at the end you could not possibly be in any doubt that you have been brought right up against the thinking of one man, and even if you do not agree with his thoughts they have been conveyed with tremendous vigour. *La Dolce Vita* does what virtually all good contemporary drama does: opens your eyes to forces, trends, or events which you had not noticed or, if you had noticed them and been puzzled, helps to explain them.

Eldorado does no such thing because that is not its purpose. Its purpose is to attract a large audience (somewhere between 15m and 20m, though at present it is managing only about 5m). If it were appearing on a commercial network, the intention would be the delivery of all those millions to advertisers and hence, in the end, profits for the shareholders of the television company.

People frequently ask "Why does the BBC bother to make soaps at all, given that it isn't trying to make profits for shareholders?" The answer is that the BBC has always known it has to run a broad church if it is to stay among the big boys of broadcasting, which means continuing to win political agreement to the licence fee. That in turn means avoiding the fate of American public service broadcasters whose output is limited to worthy programmes meaning that they cannot command sizeable public funds.

Bunny (Roger Walker) and Fizz (Kathy Pitkin) in Eldorado

In order to attract large audiences you do not have to make people think, force them to acknowledge changing morals, or require them to look in a mirror and identify their own shortcomings. Your work does not have to have that universality of application and appeal across geographical boundaries and across the centuries which truly great drama has from Sophocles to Shakespeare.

You can win huge audiences with the most mundane trivia. In the last few episodes of *Eldorado* we have seen the Webbs (and of course Drew Lockhead, not to mention Dieter) drinking too much. We have found that Bunny is jealous of the attention paid by young men to his child bride Fizz. Blair, threatened with parental discipline, disappeared. Someone painted threats on the walls of Marcus Tandy's flat. The Hindles' mum decided Spain was not for her and went home.

None of it has any significance other than to serve as the next link in an endless narrative; it is as desultory and formless as garden fence gossip. Though it is chiefly concerned with expatriates, it has nothing even mildly significant to say about the irony of such status in a supposedly united Europe. *Eldorado* has a more pictorially interesting background than most soap operas, but there is never the slightest attempt to produce the sort of striking images with which *La Dolce Vita* is packed. Worse, by sheer bad luck, presumably, *Eldorado*, which was so heavily promoted as featuring sun, sea and sangria, seems to be shot on days that are consistently cold and dull.

Where *La Dolce Vita* has an outstanding central performance from Marcello Mastroianni and several other impressive appearances, the acting in *Eldorado* is at about the standard we used to expect from *Crossroads*. That is not to say that *Eldorado* will not eventually do what the BBC wants and pull in great big ratings. It is to say that we ought to begin challenging the inverted snobs – relativists all – who maintain that *La Dolce Vita* (like *GBH* or tomorrow's repeat of Alan Bennett's wonderful *Talking Heads*) is *not* "better" than a soap opera, but merely different. Let's be quite clear about this: despite the shortcomings of *La Dolce Vita*, it is in all respects better. Soap opera should not be banned or even opposed, but we should recognise it for what it is: rubbish.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

ROYAL CONCERTGEBOUW ORCHESTRA
Tonight at 20.15, Riccardo Chailly conducts the orchestra's first concert of the new season, featuring Haydn's Symphony No 45 and Bruckner's First.
On Sat, the programme includes Tchaikovsky's Fifth Symphony.
Next Mon: Chailly conducts Beethoven's Fourth Symphony and Bruno Maderna's Grande aulodia.
The orchestra visits the Lucerne Festival on Aug 25 and 26, the Edinburgh Festival on Aug 31 and Sep 1, and the London Promenade Concerts on Sep 2 and 3 (6718 345).

OTHER CONCERTS
Joshua Bell, Steven Isserlis and Olli Mustonen play piano trios tomorrow at the Concertgebouw.
Fri: Edo de Waart conducts the Netherlands Radio Philharmonic Orchestra in an American programme, including Barber's Knoxville sung by Roberta Alexander (6718 345)

■ ATHENS

ATHENS FESTIVAL
National Theatre of Greece presents Sophocles' Philoctetes on Sat and Sun at Odeon of Herodes Atticus. Next week: Euripides' Orestes. Aug 30 and 31: St Petersburg Ballet (322 1459)
EPIDAURUS FESTIVAL
The 14,000-seat amphitheatre at Epidaurus has performances on Fri and Sat of Euripides' Andromache, in a production by Theatre of Cyprus. Aug 30: Rostropovich conducts the ECYO. Performances begin at 21.00. Tickets are available daily at the Athens Festival box office (322 1459), or at the theatre of Epidaurus every Thurs, Fri and Sat (0753-22006)

■ DRESDEN

The Semper Oper opens its new season on Mon with the first of two Staatskapelle concerts conducted by Giuseppe Sinopoli, featuring Schoenberg's Verklärte Nacht and Bruckner's Fourth Symphony. The orchestra then goes on tour to the Lucerne Festival (Aug 28 and 29), Santander (Aug 30) and Frankfurt (Sep 2). The Dresden opera season begins next week with revivals of Der Freischütz (Wed) and Lulu (Thurs).
Gwyneth Jones gives a recital on Aug 31, and the Ponnelle production of Gluck's Orfeo receives its first Dresden showing on Sep 1. Colin Davis conducts concerts on Sep 13, 14, 15 and 18. Felicity Lott heads the cast in a revival of Der Rosenkavalier on Sep 20, and also sings the title role in a new production of Arabella, opening on Oct 18 (4842 323)

■ FRANKFURT

FRANKFURT FESTIVAL
Rudolf Barshai conducts tonight's concert by the German Youth Orchestra at the Alte Oper, with works by Barber, Haydn and Shostakovich. Tomorrow: Lorin Maazel conducts the Pittsburgh Symphony Orchestra in Mahler's Second Symphony. Fri: Maazel conducts Porgy and Bess. Karlheinz Stockhausen conducts a series of concerts of his own music, starting on Fri in the Mozart Saal. Next Thurs: Gidon Kremer plays Philip Glass's Violin Concerto (1340 400)
COOPERATION 92
The Frankfurt Opera's pre-season programme opens tonight with the European premiere of performances of Philip Glass's 1984 opera Einstein on the Beach, directed by Bob Wilson with choreography by Linda Childs (daily till Sat). Aug 29: New Israeli Opera opens Tel Aviv Week with Britten's Turn of the Screw (236061)

■ LONDON

Barbican 19.30 Neville Marriner conducts the Academy of St Martin in the Fields in works by Ravel, Sibelius and Dvořák. Tomorrow: Kenneth Sillito directs a Bach and Handel programme. Fri: Marriner conducts Mendelssohn (071-638 8891)
Royal Albert Hall 19.30 Yuri Bashmet directs the Moscow Soloists in works by Schubert, Schnittke and Tchaikovsky. Tomorrow: Tennstedt conducts Wagner (071-823 9998)

■ NEW YORK

THEATRE
● Anna Karenina: a musical by Peter Kellogg and Daniel Levine based on Tolstoy's novel. Currently in previews (Circle in the Square, 50th St west of Broadway, 239 6200).
● The Comedy of Errors: the latest Shakespeare in the Park production, just opened (Delacorte, Central Park near West 81st St. For information about free tickets, which are required, call 861 7277).
● Conversations with My Father: Herb Gardner's bitter-sweet memory play about a Lower East Side bar-keeper, his two sons and the patrons of his tavern (Royale, 242 West 45th St, 239 6200).
● Two Trains Running: August Wilson's latest play, set in a Pittsburgh luncheonette in 1969. Runs till Aug 30 (Walter Kerr, 219 West 48th St, 239 6200).
MUSIC
Avery Fisher Hall 20.00 Gerard Schwarz conducts the Mostly Mozart Festival Orchestra, with soloists Cecilia Bartoli and Yefim Bronfman, repeated tomorrow. Fri and Sat: final concerts of the 1992 Mostly Mozart festival. The New York Philharmonic season begins on Sep 16 (875 5030)
New York State Theater 20.00 Steven Sloane conducts Jonathan Eaton's production of Turandot, with Catherine Kelly in the title role. Fri and next Wed: Rigoletto. Sat and next Tues: La bohème. Sun matinee: Turandot (870 5570)

■ PARIS

Eglise des Billettes 20.30 Florence Malgoire, accompanied by Christophe Rousset, plays four Bach violin sonatas. This is one of a series of summer concerts organised by Festival Estival (4804 9801)

● For a 24-hour recorded telephone guide in English to Paris entertainments dial 4720 8898

■ PRAGUE

Pavel Smetacek directs the Traditional Jazz Studio in tonight's concert in the Wallenstein Garden. Tomorrow's chamber orchestra concert in the South Garden of Prague Castle is given by Musica Philharmonica Pragensis. The Baroque Jazz Quintet plays works by Bach and others at the Monastery of St Agnes on Sat. Next Tues in Church of St Thomas: Prague Baroque Ensemble.
Advance booking at the Smetana Hall (u Prasne brany 2, 232 5858).
● For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714)

■ STUTTGART

LUDWIGSBURG FESTIVAL
Andras Schiff gives a piano recital tonight in the Ordenssaal, with works by Bach, Handel, Brahms and Reger. Gwyneth Jones gives a song recital on Sun.
Axel Manthey's new production of Die Zauberflöte opens at the Schlosstheater on Aug 26 (7141-949610)

■ VIENNA

CONCERTS
Aula Classica gives tonight's concert at 19.00 at Arkadenhof, with bugle soloist Horace Fitzpatrick.
Tomorrow: Alfred Eschwé conducts the Tonkünstler Orchestra in works by Johann Strauss and others.
Fri and Sat in Konzerthaus: Carlos Kalmar conducts the Stuttgart Philharmonic Orchestra, with Andrea Cappelleti violin soloist on Fri and Tzimon Barto piano soloist on Sat.
Sun at Schönbrunn: recital of Spanish songs by Eleni Kanthou (Wiener Musiksommer 4000 8410)

OPERA
Neue Oper Austria presents Mozart's La finta giardiniera at Schönbrunn on Sat (also Aug 26, 27 and 30).
Placido Domingo and Agnes Baltsa open the new season at the Vienna State Opera on Sep 1 with Carmen (5131 513)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Wednesday August 19 1992

More fiddling in Japan

BELATEDLY, the Japanese Ministry of Finance has recognised that it cannot ignore the continuing collapse of the Tokyo stock market. But yesterday's ragbag of short-term palliatives suggests that it still does not understand the severity of the crisis that Japan faces. The current financial turbulence could derail the economy for years rather than months. Until the Ministry of Finance publicly recognises this fact, it will continue to do more harm than good.

Surely Japan's powerful civil servants should have realised by now that the stock market is now falling through the floor simply because a normal healthy recovery has been postponed for a quarter or two. Yet this assumption underpins yesterday's package. So long as the banks and other financial institutions can be dissuaded from selling shares to pay their interim dividends next month, goes the reasoning of the Ministry of Finance, then all will be well when the recovery arrives.

Yet all will not be well. No amount of balance sheet manipulation can conceal the stock and property losses that the banks face, whether they choose to write them off now or at the end of the fiscal year, a fact that Japanese equity traders understand only too well.

Nor will suspending the guideline ceiling on the percentage of profits that can be paid in dividends disguise the fact that the earnings outlook looks increasingly bleak. Bad debts have made the banks unwilling to lend and the sluggish state of domestic demand means that companies are unwilling to borrow or invest.

That the health of Japan's banking sector is so closely tied to the stock market makes a serious situation doubly bad. Most banks would currently fail the requirement of the Bank of International Settlements that capital exceed 8 per cent of risk-weighted assets which comes into effect in March 1993. But making it easier to issue debt to meet these capital ratios will do nothing to stimulate lending. If the Ministry of Finance wants to ease the pressure on banks, it could do so directly by postponing the date at which the BIS rules become effective.

Yet only economic growth can simultaneously satisfy the needs of investors, banks and companies. Moreover, the government is best placed to provide the necessary boost to domestic demand. Japan's general government budget surplus allows it plenty of room for an injection of at least Y12,000bn (£50bn) in spending and tax cuts in the forthcoming supplementary budget. Furthermore, while falling long bond yields have eased the pressure on the corporate sector, Japanese short interest rates are still higher than they need to be.

Only by showing that it can act effectively can the government hope to stabilise the stock market. Yet it still prefers cosmetic manipulation to genuine stimulation. There can be few better ways to undermine the confidence of Tokyo's battered investors.

Money advice

SOME HALF a million households in the UK are struggling with multiple debts that they cannot meet. According to a report published last week by the National Consumer Council, only one in seven can hope to receive advice on how best to deal with their difficulties. Such advice cannot solve the problem. But it would help. Unfortunately, nobody can agree on how it should be funded.

The NCC's concerns over the inadequate funding of money advice parallels that of Sir George Blunden, chairman of the Money Advice Trust. Established to raise money on a voluntary basis from private business, the Trust managed to obtain only £252,000 last year. Its three-year target of £9m looks as remote as the moon. No wonder Sir George has expressed his disappointment, singling out building societies for their failure to contribute.

His complaints are justified. More than three-quarters of the £417bn in personal debt outstanding at the end of 1991 was for house purchase. Yet many building societies simply blame government policy, the behaviour of other lenders, or the imprudence or ill luck of borrowers. They also argue that they are dealing with arrears satisfactorily, by providing advice directly to their customers, even though advice provided by one lender cannot be enough for people with multiple debts.

The societies conclude that government should provide the funds. Meanwhile, the Department of Trade and Industry wants funding to come from the private sector. Yet the government and the private sector do agree that a statutory levy on private industry is out of the question.

All the while, money advice remains underfunded. The question then is how advice should be funded. Here three points need to be made.

First, since there is a public interest in the provision of money advice, the government has a responsibility for ensuring that such advice is provided. Second, voluntary funding is always likely to be inadequate, since it is in the interest of each potential donor to be backward in coming forward. Third, lenders for home purchase bear partial responsibility for the problem, since their lax lending policies did much to entice individuals into excessive borrowing.

What is needed, as the NCC argues, is mixed funding of money advice by central and local government and the private sector. The private sector is now being asked to make its contribution voluntarily. Since the total sum required is not large, perhaps the funds will be forthcoming. But this looks unlikely.

The alternative is compulsion. A statutory levy on lenders would be arbitrary, but no more so than the current unequal pattern of voluntary contributions. Moreover, the disadvantages of a modest levy cannot exceed those of failure to fund advice adequately. Lenders are on trial. If they do not contribute voluntarily, they should be condemned to compulsion.

Finish the job

Ever since President George Bush ordered the Gulf ceasefire, he has faced a living reminder that his victory over Iraq was less than complete. President Saddam Hussein's mere survival humiliates; his brazen flouting of United Nations Security Council resolutions constitutes part of the threat to Mr Bush's re-election.

That is the stark background against which the latest western activity against Iraq must be assessed. By leaking threats to bomb government buildings and mooting establishment of an air exclusion zone to protect Shia Moslems in the south, the US and its allies signal a desire to step up the pressure on Mr Saddam. But by implication, they also highlight their own failure to deal with the Iraqi dictator thus far, and President Bush's vulnerability. It is a bind from which he is unlikely to free himself without doing something that may be beyond his capacity before the presidential election in November: finishing Mr Saddam once and for all.

There are those who argue that the west is now suffering the consequences of not having gone all the way at the end of the war, that had they marched on Baghdad 18 months ago the allies might not now be sitting helplessly by while Mr Saddam cocks a snook at UN weapons inspectors or unleashes warplanes against his people. But that is far from certain, and even if it were would be scant consolation today.

The allies' real problem stems from a failure to think creatively, or consistently, about the consequences of victory. When the Shias of the south rose up against Baghdad at the end of the war, none of the western nations came to their aid. Mr Bush adamantly refused to support a rebellion that he argued might dismember an established state and aggrandise its neighbour, Iran. Yet at the same time, Britain and the US were prodded by TV coverage into providing a "safe haven" in the north for the Kurds.

Unfortunately, current events have the same reactive flavour. Mr Bush was caught off guard by the recent confrontation over a weapons inspection of the Iraqi agriculture ministry, and threatens to bomb government buildings in Baghdad. He is stung by publicity concerning the plight of the Shias, and persuades his allies to co-operate in banning Iraqi aircraft from the south.

On its own, the latest action can do little to improve the lot of the Shias; the allies need to go further, and establish a comprehensive security umbrella with a view to denying Baghdad control as they have with the Kurds. But they must not lose sight of the ultimate aim, which should be, through a combination of military, economic and political pressure, to force Mr Saddam's removal and the installation of a government more representative of Iraq's diverse peoples. As things stand, almost anything the allies do that falls short of that goal can be presented by Mr Saddam as a victory over the west.

Morning after in the pub

Recent efforts to inject more competition into the UK brewing market have largely backfired, writes Philip Rawstorne

Norfolk Nog was recently judged the champion beer of Britain at the Campaign for Real Ale's festival in London. Yet the beer, made by Woodforde's of Norwich, a small, independent brewer, is sold in only 300 of the country's 60,000 pubs and clubs.

"A few more pubs have called us to order the beer since it won the award," says Mr Ray Ashworth, Woodforde's managing director. "The beer is competitive on price as well as quality. But pubs are so heavily committed to the national brewers that it is very difficult to increase distribution."

Three years after the Monopolies and Mergers Commission set out to inject more competition into the UK's beer market – worth £13bn a year in retail sales – Woodforde's experience is a sad reflection on what has been achieved.

The restructuring – aimed at breaking the dominance of the large national brewers by loosening the ties between brewing and pub ownership, and carried out against a recessionary background – is now almost complete.

So far, the result has been fewer brewers, fewer breweries and fewer beer brands. Breaking the tie between brewing and pub ownership has brought new retailers into the market, but it has also led to some big rent increases and pub closures.

Meanwhile, the commission, in its recent report on the proposed merger of the brewing operations of Allied-Lyons and Carlsberg, the Danish brewer, admits: "The strength of the national brewers is undiminished."

The price of a pint of bitter, instead of dropping, rose last year by 12.8 per cent before tax, compared with a 4.5 per cent increase in the retail price index. Brewers blame higher investment and financing costs.

So what has gone wrong? The answer lies in the commission's diagnosis of the industry's competitive weaknesses and the remedy it prescribed.

Competition already existed between the pubs belonging to the six national UK brewers – Bass, Allied-Lyons, Whitbread, Courage, Grand Metropolitan and Scottish & Newcastle – according to Mr Leif Mills, head of Bifu, the banking union, and a member of the commission. He wrote a dissenting note to the commission's 1989 report recommending the restructuring. The brewers were responding to changing consumer demands, he said. There were physical limits to what any pub could offer its customers, and new owners were unlikely to widen the choice beyond the most profitable, highly advertised brands.

Mr Mills also warned that wherever brewing had been separated from retailing – as in the US – the result had been to concentrate beer production in fewer hands.

His predictions have proved remarkably accurate. The nationals' response to the commission's intervention has been a series of corporate deals tightening their grip on beer production and enabling them to minimise the effects of their pub disposals. These include:

● A £2.4bn pubs-for-breweries swap between Grand Metropolitan and Courage, the Australian brewer, set the pace early last year. Courage took over GrandMet's breweries to become the country's second-biggest brewer with a 20 per cent market share. The two companies' 7,000 pubs have gone into a joint venture managed by GrandMet.

● A £510m merger of the UK brewing operations of Allied-Lyons and Carlsberg, the Danish brewer, is set to go ahead after minor modifications demanded by the commission. The new company, Carlsberg-Tetley, will have an 18 per cent share of the market.

● Allied and Whitbread have benefited from the decisions of three regional brewers – Boddington, Devenish and Greenalls – to dispose of their uneconomic breweries and concentrate on pub retailing. Whitbread bought the Boddington and Devenish brands; Allied now brews Greenalls' beer.

● Further brewery closures have come with the nationals' search for production economies. Bass, the industry leader with a 23 per cent market share, has led the way by shutting four plants.

As a result of this corporate activity, five national brewers now control 82 per cent of the country's beer production compared with 77 per cent held by the six national brewers in 1989. Concentration of lager production is even more marked.

The Monopolies and Mergers Commission, which baulked at the thought of two brewers controlling 40 per cent of production when it barred the Elders bid for Scottish & Newcastle at the time of the 1989 report, now apparently views such concentration with equanimity.

Indeed, the commission almost caused the demise of another regional brewer that it had sought to protect. Its insistence that Whitbread's associated investment company should reduce its shareholding in Morland, the Oxfordshire brewer, exposed that company to a hostile bid from Greene King that only narrowly failed in July. A similar threat still hangs over Marston, the Burton-based brewer, in which Whitbread has a 33 per cent stake.

The concentration of production – which many City observers believe will go further – seems a poor trade-off for what the commission has achieved on the retail side of the industry. The commission recommended that the big six brewers should be forced to dispose of 22,000 pubs – two-thirds of their total holdings. The government compromised. It ordered them to allow their tenant licensees, who rent about 21,000 pubs, to buy spirits, cider, soft drinks and one brand of cask-conditioned ale from any supplier. This "guest ale" provision was intended to benefit regional brewers by giving their products access to the nationals' pubs from which they had generally been barred.

However, after three years, fewer than a third of the nationals' tenants have taken advantage of the guest-ale provision to stock a regional brewer's product. Only a few regionals with strong brands, such as Marston, Greene King and Fuller, have benefited and they have had to rely on distribution deals with the nationals.

"The nationals have usurped the guest-ale market," says Mr Iain Loe of the Campaign for Real Ale. "They have padded out their own portfolios with a few key brands and it is still very difficult for smaller brewers to get a look in."

Many of the regionals have struck back, however. Some have strengthened their trading operations by buying about a quarter of the 11,000 pubs sold by the nationals. The disposal programme has also enabled many of the brewers' former tenants to become individual pub owners. New retailers, whose entry to the trade has been limited by a restrictive licensing system, have bought pubs throughout the country. Some, such as Enterprise Inns and Century Inns, have rapidly built up chains of several hundred pubs.

But few of the consumer benefits expected to flow from increased competition have materialised. Each of the big brewers has retained most of the beer supplies to the pubs they have sold or leased. They have protected their positions by means of long-term supply agreements or such inducements as cheap loans.

Three years ago, the commission concluded that the reliance of supposedly independent pubs on subsidised loans from their brewer restricted the entry of new suppliers and adversely affected competition. The commission recommended prohibiting such loans.

However, the government did not ban the practice, and it has grown despite its potential pitfalls – demonstrated by Whitbread's provisions *this year for £37m of bad debts*. National brewers' sales to loan-tied houses have risen since 1989 from 5.6m to 5.9m barrels.

Long-term supply agreements, designed to maintain the brewer's sales to pubs that it has sold, are a more recent feature. The Office of Fair Trading has already taken action to discourage such moves by imposing time limits on Courage's supplies to GrandMet and to their joint pubs venture, and on Allied's arrangements to supply Brent Walker, the leisure group to which it has leased 734 pubs.

In their defence, the national brewers argue that retailers benefit from a single comprehensive supply service. "Such agreements are entered into as a result of negotiation between willing buyers and sellers, involving active competition between brewers for business, and have contributed to a dramatic decline in wholesale prices in recent years," Allied says.

Professor M E Beesley, one of the commission members who inquired into the Allied-Carlsberg merger proposals, agrees. "These are methods by which rivalry is now pursued," *he says. "They are not the* restoration of a forbidden monopolistic practice."

Though unconvinced, his colleagues' concerns appear to have been eased by evidence from many retailers that competition for business with the independent pub sector – which now accounts for nearly half of total pub beer sales compared with 37 per cent in 1989 – has brought real reductions in wholesale beer prices.

So why have retail prices continued to outpace inflation? The brewers have several explanations. Substantial sums have been invested in refurbishing pubs during the past few years. Some of the new, independent pub companies have borrowed heavily and had to raise cash, in difficult trading conditions, to meet interest payments. Pub tenants are paying higher rents.

But higher prices have provoked consumer resistance, and with the pub-going population in decline, many pubs that enjoyed a degree of financial protection as part of the large brewers' estates face a bleak future as standalone businesses.

"There are fewer pubs already, and soon there will be fewer still as retailers find they cannot cope with reduced trade and higher costs," says Mr David Thompson, an industry observer analyst at Kleinwort Benson, the securities house. "That means less consumer choice."

The OFT will begin its assessment of the impact of the commission's intervention this winter. The industry expects further upheavals to follow; consumers have learned not to expect much from them.

NATIONAL BREWERS' OWNERSHIP OF FULL ON-LICENCES

	Jul 1989 Managed	Jul 1989 Tenanted	Jul 1989 Total*	Dec 1991 Managed	Dec 1991 Tenanted	Dec 1991 Total*	Nov 1992 Total tied
Allied	2,326	4,306	6,858	2,621	3,388	6,180	4,429
Bass	2,871	4,405	7,476	2,967	2,451	5,624	4,738
Courage	400	4,600	5,000				
GrandMet	1,676	3,590	5,266	1,646†	7,282†	8,891†	6,080†
Whitbread	1,851	4,777	6,628	2,016	3,968	5,984	4,314
S&N	852	1,377	2,354	830	1,091	1,957	1,944‡
All	9,976	23,057	33,582	10,080	18,180	28,636	21,505

Source: MMC. *Inc full on-licences such as clubs, hotels. †Courage/GrandMet joint venture. ‡To March 1992.

CHANNELS OF BEER SALES (%)

	'90	'91	'92	2001*
On-trade				
Tied	42	36	29	17
Free	38	43	49	55
Total	80	79	78	72
Off-trade	20	21	22	28
Free on- & off-trade	58	64	71	83

Source: MMC. *Forecast by Allied.

PERSONAL VIEW

Feather beds in South Africa's boardrooms

By Sir Alan Walters and George Guise

South Africa is a continental anomaly. A third-world country, with the *tribalism, the violence*, the excessive public spending, overregulation, the overweening bureaucracy, state-owned behemoths, the protection and politicisation of much economic activity. But superimposed on these is a convincing presence of the first world in the form of the great mining and manufacturing corporations. The English-speaking South Africans have dominated this private business sector, just as Afrikaners have been predominant in government employment, while blacks have provided the labour. An oversimplification? A caricature? Perhaps, but it conveys the essence of South Africa for most of this century.

The incomes generated by the industrial and mining sector produced a large tax revenue to finance the jobs and sinecures in the public sector. The stated objective of the leadership of the African National Congress is to capture control of government in order to secure and expand those public sector jobs. There has also been much talk of expanding the public sector by nationalisation, quotas for blacks, Africanisation, and so on. But now there is growing realisation among black leaders that such measures *have been the root cause of the dismal* economic performance of all the second (communist) world and most of the third-world economies.

If there is a golden rule in economic management, it is that high taxation, expropriation, regulation and control lead to dilapidated infrastructure, political turmoil and uncertainty which drives capital and jobs away. That, in turn, exacerbates both economic and political tensions – and so leads to a vicious circle of decline. What can the ANC, Inkatha, the National party and other groups do to promote wealth and growth, to break out of this vicious circle? The solution is to send not for Marx and Lenin, but for Hanson and Goldsmith.

As in any other dirigiste socialist country (and, with its high ratio of government involvement and interference in economic life, South Africa must be so classed), the economy is dominated by very large corporations. In South Africa fewer than 10 conglomerates dominate the first-world industrial sector. They have pyramidal or interlocking shareholdings which lock out their external shareholders from any influence over management and protect their management from any true accountability to shareholders.

A reforming government must open up to foreign and domestic corporate raiders

As is well documented, conglomeration, especially with monopoly *power and protection against* intruders, leads to much inefficiency. The rate of return on capital in the many peripheral activities is low. This is reflected in the fact that for most of these conglomerates the share price is less than the value of their component assets.

In any free market there would be a corrective, namely a takeover bid. Lords Hanson and White or Sir James Goldsmith would buy up the shares, take control, strip off the peripheral loss-making companies, change management and sell them for perhaps more than their acquisition cost, and get the company back to basics in its mining operations. But few managements in South Africa fear a takeover bid.

Many reasons explain these feather beds in the boardrooms. The most important is that everyone is in a feather bed with everyone else. Large blocks of shares are held by corporations in the same group as well as by controlled pension and insurance funds. It is virtually impossible for any outsider to mount a takeover bid against the interlocked interests of the five conglomerates which account for more than three-quarters of the market capitalisation of the Johannesburg Stock Exchange.

It is, however, a moot point whether in the absence of such interlocking holdings, a protectionist, socialist government of the kind which has been in power in South Africa for so long would ever allow takeovers. Socialist governments are characteristically averse to buccaneers like Goldsmith and Hanson. They prefer their house-trained managers, who are more amenable to the habits of bureaucracy. Yet, *they wonder why foreign capital is* so reluctant to appear.

We believe takeovers would benefit virtually all groups in South Africa. Let us take the difficult one first: would they benefit the blacks? We believe they would.

First, such takeovers and unbundling would create, not destroy, jobs. The efficiency gains that can be made are high – perhaps reductions in cost of 50 per cent or more. This would make much industry efficient and competitive in terms of world as well as African markets. Second, South African manufactures could flood into their natural markets – displacing Asian manufactures, but also developing new markets that do not now exist. This is the basis for real jobs and prosperity in the black townships as well as in the grassy suburbs.

As for the owners of these conglomerates, their shareholdings would be worth much more under an open takeover regime. True, some family shareholding groups as well as entrenched management cliques would lose their power to decide the fate of industry, but that is the price they must pay for the opening of the economy – and how handsome would be the rewards.

The Afrikaners would lose their privileged positions in the public sector while all races would be free to exploit the opportunities which a liberalisation of the white cartel-dominated industrial sector will provide. We suspect that removing the feather beds in both the public and private sectors will be the making of a new generation of multiracial entrepreneurs.

The main task of a reforming government must be to insist on the disentanglement of the crossholdings of the conglomerates and the opening up of South Africa to foreign as well as domestic corporate raiders. The first step is so simple. It is for the regulatory authorities of government and the stock exchange to cease the restrictive practice of protecting entrenched management groups from their disenfranchised private shareholders. If a takeover appears, the cross-shareholding should have the option of accepting the offer or of bettering it, but not of turning complacently away.

Such a simple shift in regulatory policy would not only bring South Africa into line with most efficient, modern, capitalist economies, but simultaneously awaken those sleeping assets which form South Africa's hidden wealth.

Sir Alan Walters is vice-chairman of AIG Trading Corporation. George Guise is ex-director of Consolidated Gold Fields and was a member of the prime minister's Policy Unit 1986-90.

Air freight takes fright at the gravity of recession

The cost of air cargo has plummeted over recent months in the face of falling demand and overcapacity, writes **Daniel Green**

About one-third of all international trade, by value, travels by air – a fast-growing business that is worth about $20bn (£10.4bn) in annual revenues to air freight carriers. But in the past few months freight rates across the Atlantic have halved, threatening to blow off course the recovery plans of some of the world's biggest airlines, which dominate the air freight industry.

From a typical price at the beginning of the year of 75p-80p a kilogram on the London to New York route, prices have fallen – in the case of one airline to just 8p a kilo – as rivals scramble for business. Airlines calculate that the cost of fuel alone required to take a kilo of cargo across the Atlantic is almost 7p.

Cargo is big business for airlines. At Lufthansa, the German carrier which is the world's biggest airline freight operator, cargo accounts for 21 per cent of sales. Last year, DM2.9bn (£1.03bn) in revenues were generated by the division, which employs just 8 per cent of Lufthansa's workforce.

This year, however, Lufthansa and its competitors are operating in a very different market. The convergence of recession and higher capacity in the industry has prompted a sharp fall in freight rates.

"The key air freight markets, US and Japan, are suffering from considerable economic difficulties," says Mr Wilhelm Althen, Lufthansa's executive vice-president of cargo. "With capacity supply higher than demand, the situation for cargo carriers is characterised by pressure on prices and profits."

A blunter assessment comes from Mr John Smith, general manager of cargo marketing at British Airways, the world's fourth-largest airline freight operator. "They [the airlines] *are all losing their shirts.* The normal rate from Japan is 700 to 800 yen a kilo. We know of one airline asking 300 yen."

He acknowledges that BA itself is "taking a fair amount of pain. We are a little down on where we would like to have been at this time." BA has reduced its quoted price on the New York route from nearly 80p a kilo six months ago to about 60p now. The discounted rates actually paid by customers have fallen faster.

The decline has happened suddenly because air freight was temporarily insulated from the effects of recession. As businesses cut their stocks they increasingly turned to aircraft to deliver goods at short notice. Lufthansa increased its cargo revenues by 14 per cent between 1990 and 1991.

However, the persistent international economic slowdown is now taking its toll. The trade in car parts, for example – one of the most important categories of air-freighted goods – has followed the sharp decline in world car sales. Freight routes between Japan and Europe have been particularly affected as Japanese vehicle exports have fallen.

The downturn in air freight threatens to dislodge a central plank of airline strategy since the Gulf war. "During the war, the awareness of cargo grew dramatically," says Mr Peter White, managing director of cargo at British Airways. "The *passengers disappeared but the* cargo held up. And empty planes meant more room for the cargo."

The airlines' response to the fickle passenger was to push the cargo business higher up the management agenda and increase the profile of freight. BA's cargo division did not report to the company's main board until this year. Lufthansa, too, has only recently separated its cargo and passenger businesses.

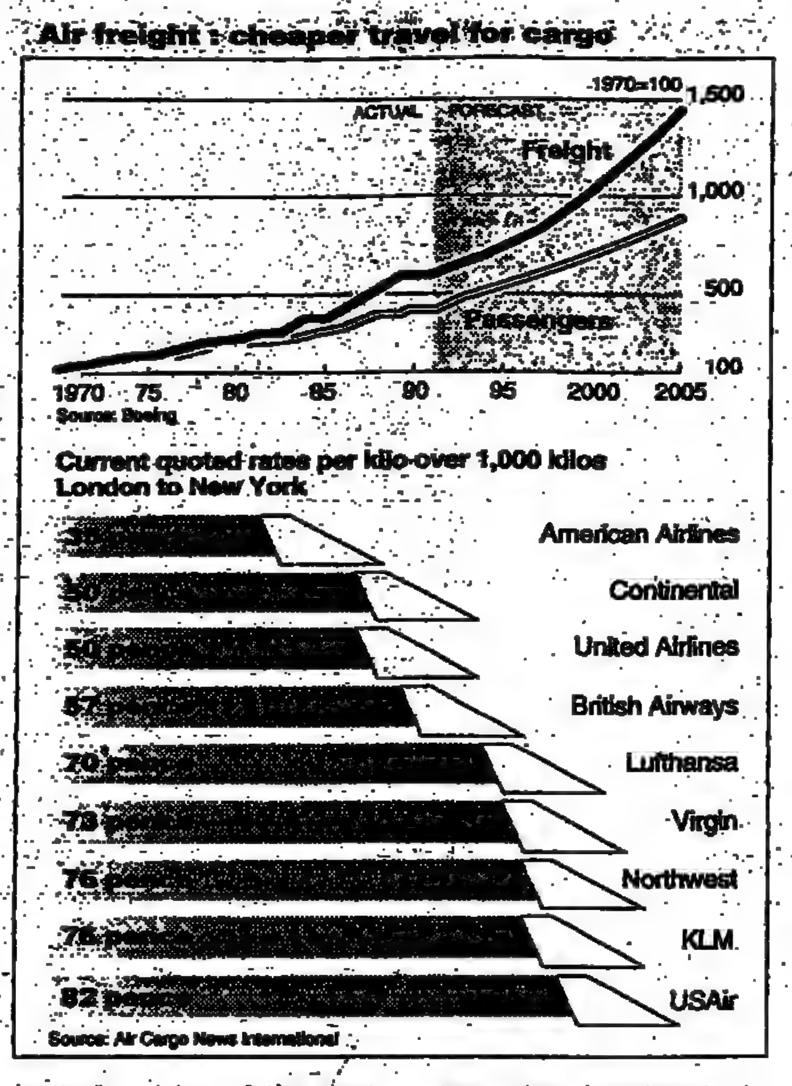
Airlines have also invested heavily in an effort to provide a better service to customers. American Airlines, for which cargo has historically been a low priority, is in the middle of a $50m cargo investment programme to automate accounts and provide a quicker and more efficient service.

The airlines' ambitions extend beyond a simple desire to smooth out uneven passenger revenues. Air freight volumes have grown faster than passenger numbers for more than 20 years, and this trend will continue, says Boeing, the world's biggest aircraft maker. It predicts annual average growth in air cargo traffic of 6.5 per cent over the next 15 years, compared with barely 5 per cent *growth for passengers.*

The decline has happened suddenly because air freight was temporarily insulated from the effects of recession

An important reason for the expansion of the industry has been the development of wide-bodied aircraft, and in particular the Boeing 747. The amount of space left over in its cargo bay after passengers' baggage is loaded allows airlines to act as freight carriers without buying specialist aircraft.

According to Mr Althen at Lufthansa this has created "a category of carriers which regard cargo as fill-up, and which has therefore put pressure on prices". It was one such "fill-up" carrier, American Airlines, that last month briefly offered a North Atlantic rate of 8p a kilo.



Falling freight rates are not completely new. Over most of the past 20 years, rates have declined gradually along with air fares as capacity has risen. One result is that the range of goods carried by air has grown wider. The fortnightly BA Boeing 767 from Jeddah, Saudi Arabia, to London's Heathrow airport, carries bundles of clothing and crates of dates, for instance. It also has five or six copper urns of holy water, en route to Leicester's Moslem community for use in religious ceremonies. The holy water business is worth £15,000 a year to BA.

In the Americas, the latest hybrid grain seeds are shuttled between northern and southern hemisphere farms to improve yields.

But the most important rise in air cargo has come from four groups of goods: car and motorcycle parts, pharmaceuticals, textiles and electronics. These are largely high-value, relatively small goods. In the case of textiles, air freight might mean getting the latest fashions from Asia into shops six weeks faster than by ship.

The problem for the airlines, however, is that capacity has risen faster than increased demand. American Airlines, for example, increased the amount of cargo it carried by 38 per cent in the past year, while revenues rose by only 25 per cent.

Airline executives are nervous about recovery in air freight. "I'm not sure that Boeing's growth forecasts can be supported fully now," says Mr Steve Leonard, vice-president of cargo sales at American Airlines "There is a restructuring going on already."

Restructuring extends to many carriers. Air Canada is selling its freighter fleet. Lufthansa is seeking to establish and extend joint ventures. In June, it increased its share in the internationally-owned specialist freight operator DHL from 5 per cent to 25 per cent in an effort to secure market share. JAL, the Japanese carrier, increased its stake by the same amount.

Lufthansa has also established links with Air France, Cathay Pacific and JAL to develop a global communications network for the air cargo market. The system will allow computerised international cargo bookings. "Going it alone was too expensive," says JAL.

Such moves by Lufthansa and its rivals are evidence of their commitment to air freight, but also of the squall in which the industry now finds itself. The airlines hope that it will prove a temporary bout of turbulence and that prices will soon be stabilised. But that will depend on how quickly its freight customers recover from recession.

LETTERS TO THE EDITOR

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Experience in greater demand

From Mr P Morgan.

Sir, We agree with Mr Kevin Goldstein-Jackson's comments (Diary of a Private Investor, August 8) that current practices in relation to the selection and appointment of non-executive directors are not entirely satisfactory.

The IoD's experience is that there has been a change in the specifications for non-executive directors drawn up by more enlightened chairmen. The demand now is for experienced, competent executives who know the tough action that has to be taken when a business begins to decline.

Since Mr Goldstein-Jackson joined the IoD's non-executive director register in November, it has almost doubled. It now has many people of considerable ability, including a growing number of women, all of whom are seeking independent directorships. In a market where only 27 per cent of these appointments are placed with outside agencies, the competition is considerable.

Having said that, we are happy to have someone of Mr Goldstein-Jackson's calibre on our register and will not hesitate to recommend him when the opportunity arises.

Peter Morgan,
Institute of Directors

Blurred relations in integrated houses

From Mr P G Moon.

Sir, The recent debacle at UBS Phillips & Drew is terrifying in its implications. Have corporations become so ashamed of their accounting policies that they need to gag a reference work by Terry Smith?

Does this mean shareholders' needs have been subordinated to the large corporations by the integrated houses?

Further, has the objectivity of analysis been compromised by the need of the integrated houses to keep the FT-SE 100 companies sweet?

I understand that no specific recommendations are made in Terry Smith's book. It merely outlines methods used by companies. Why, then, should any company be distressed by an analyst pointing out policies sanctioned by its board?

Is it time for the institutions to review again the blurring of relationships within the integrated houses? Perhaps the two-way function of broker and marketmaker is a manageable relationship, but that including corporate finance is not.

P G Moon,
Hartnup House,
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Miras could provide boost

From Mr Ian Stern.

Sir, I believe there is an opportunity for the government to intervene in the housing market's current problems.

Miras currently costs the exchequer several billion pounds a year. If the government took the average UK mortgage life of about five to 10 years' worth of Miras and paid this all in one year, thereafter abolishing Miras entitlement, it would be equivalent to a massive reduction in mortgage interest rates for at least one year. And the extra economic activity that should result would increase the government's tax revenues. While leading to one year's increased PSBR, it should not be seen as extra borrowing, as it is only bringing forward already committed and budgeted tax relief.

The scheme might persuade many first-time buyers to try to qualify for the payment/tax-credit. The increased activity might compensate for any small drop in house prices.

Ian Stern,
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Less lucre from the law of libel

From Mr Malcolm Turnbull.

Sir, As your Justinian column (August 10) observes, the cost of libel actions both in legal fees and damages is unsatisfactory. The cost of representation places the ordinary citizen at a disadvantage when faced with the resources of a newspaper or broadcaster, while damages often appear out of proportion to the hurt inflicted.

The law of libel is basically concerned with balancing the private right to reputation and the private right to free speech. It fails to address the public right to receive timely and accurate information on matters of public interest.

There is, thus, a considerable public interest in newspapers (and broadcasters) getting their facts right and, when wrong, correcting them at the earliest opportunity. Most libels result from errors, but the law of libel does not encourage publishers to correct them unless as part of a settlement with the person defamed. It is unsatisfactory both for a plaintiff to wait years for his good name to be vindicated and for the public to wait for the facts to be corrected.

One possible change would be to provide that, where a publisher corrects and apologises for the libel promptly, the plaintiff would only be entitled to recover actual damages. An exception could be made in cases of proven malice. This would give publishers a very real incentive to correct mistakes quickly without fear that they are abandoning possible defences to a libel action. Where a person has suffered real financial loss that could be recovered, but actual financial loss in defamation is rare.

This sort of proposal has met with criticisim from the legal profession (who have a vested interest in defamation laws as *they stand). Others may* consider such a change too generous to sloppy publishers. But the loss of a right to general damages by the victims of sloppy journalists would be outweighed by the benefits of early correction.

Malcom Turnbull,
1 Chifley Square
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Australia.

Western corporations should train a class of business leaders in ex-communist states

From Mr Bijan-Daniel Khezri.

Sir, I read with interest *Michael Prowse's article* ("Slim pickings for the hungry bear", August 14) on the depth of Russia's economic crisis.

The question it raises is whether western aid to Russia is adequate. He argues that the G7 could have created a new organisation dedicated solely to assisting the formerly com*munist countries.*

Unfortunately, his propositions only echo the inadequacies of the west's involvement in the reform process. It has been following a perspective of systems and institutions which, among others, emphasises the role of the IMF. We should, rather, be looking more at aid at the grassroots level.

A grassroots approach, such as the temporary integration of students and young managers from former communist countries into western corporations, should be expanded. The extension of such a programme could make an important contribution to reform.

The experience gained in western business would allow the students to develop a practical approach and obtain a *working understanding of the* close links been a free-market economy and democracy.

Western corporations should consider the integration of qualified students from former communist countries during the summer as a business strategy, rather than as a philanthropic gesture. Successful interns could become prospective management employees at the companies' branches in the former communist countries.

It would also benefit the reform process if more western students and young managers participated in a similar internship programme in the former communist countries.

This is preferable to smothering former communists with advice and pumping billions of dollars into non-existent mac*roeconomic structures.*

Financial aid alone will not establish the macroeconomic structures that are so urgently needed for the establishment of a free market.

Bijan-Daniel Khezri,
research associate,
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Early education is the key to effective skills training

From Mr Alan Mackie.

Sir, Samuel Brittan ("Save us all from the credentialist fad", August 13) is right to question the scandalous squandering of resources in training. But he does not get to the heart of the matter.

The strength of the continental system is that education and training are treated holistically. Studies of the economic effectiveness of training which do not refer to education, particularly primary education, miss the point.

The core of the transferable skills Mr Brittan alludes to is the set acquired in primary and early secondary phases of education. It involves what the French would call the "formation" of an individual. It includes basic literacy and numeracy and, above all, an ability to concentrate. This produces a trainable, adaptable workforce able to acquire vocational qualifications. If the educational foundation is sound, the training function becomes simpler, more directed and less costly, and conflicts between exogenous and endogenous benefit less acute.

It is the provision of a sound "formation" to succeeding generations of school leavers that separates the sheep from the goats in national economic performance, and it is the neglect of the need to provide *all* our youngsters with these basic skills that is at the root of the UK's seemingly terminal decline.

Alan Mackie,
66 Canonbury Road, London N1

OBSERVER

Centre of attention

■ If the users of "Tecs" were not confused enough by the anonymous acronym for the new Training and Enterprise Councils, it seems that two of the new institutions are shaping up for a battle royal over the right to use the same meaningless name.

Central England Training and Enterprise Council, based in Redditch, and Central London Tec, both want to call themselves "Centec". So far the exchanges have been polite, if cool. But it is already causing considerable confusion with confidential papers from government destined for the respective Tecs ending up on the wrong desks. "All their budget papers have been circulated to me by mistake," says Gwynneth Flower, chief executive of the London-based Tec. "I don't know if they have ours."

The Redditch-based Tec claims it started using the name first. When it was set-up two years ago it was aware there was a company called Centec and so it registered itself as the Central England Tec, but quickly became known as Centec. For its part, the new Tec in London says that it spotted that the original Centec had gone into liquidation and registered itself as Centec.

At present, there seems little room for negotiation. Flower, a determined woman who used to work for GKN, says with some irritation: "Centec is the registered name of this Tec and any other company using it is doing so illegally."

Both sides admit that it would be a waste of public money, and bad for the image of the struggling Tecs, to end up in the courts. But neither seems ready to stand down. "We have taken legal advice," says Flower ominously.

However, Rodney Skidmore, chief executive of the other Centec, and an ex-Army officer is not going to be pushed around. "On a point of law it doesn't matter who registered the name, it is public usage that matters and we had that first." Sounds like time for a government referee to step in before this dispute gets too silly.

Close

■ Overheard at Brussels airport. An executive, on his first sortie outside the New World, phoning a prospective client: "I'm not sure where I am, but I'm in a small airport somewhere near Amsterdam..."

Holiday reading

■ Nervous Eurocrats, crossing their fingers until France's Maastricht referendum on September 20, can relax a little.

France may be on holiday, but its population does seem to be taking the matter seriously judging by the latest surprise entrant to the republic's best-seller lists. Despite weighing in at a daunting 600 pages, 35,000 copies of the paperback version of Maastricht have been sold so far. The easy reading version is selling even better. The French have already snapped up 40,000 copies of the treaty in a more palatable 40-page format. And sales are still going strong, say the publishers.

Sinking market

■ If confirmation were needed that the bottom has fallen out of the market for ex-tycoons' luxury yachts, then the sad saga of Aristotle Onassis's old flagship, Christina, is the final word.

Only two buyers turned up at yesterday's auction and neither was prepared to match the $4.2m starting price. The Christina is nearly twice as long as the late Robert Maxwell's Lady Ghislaine, and has been used by everyone from Marlon Brando and Sir Winston Churchill, to Maria Callas, Jackie Kennedy and members of the British royal family. It is very much a luxury item.

Named after Onassis' late daughter, the yacht was given to the Greek government in 1978 in the hope that it might serve as a presidential yacht. However, the authorities could not afford the $1.5m a year maintenance bills. When it was first put up for sale at the end of 1990, the sellers were looking for $15m. Now the price is to be reduced again.

Pity that Peter Clowes is out of circulation. The price is getting down towards the $2.5m he paid for Boukephalis, one of Christina Onassis's other old yachts.

"Bomb early, bomb often"

Dishonourable

■ Why aren't there more small businessmen in Britain's class-ridden honours system? It is well known that the Cabinet Office is keen to rejig the honours system and reward people on the basis of merit rather than status.

Observer hears that when the faceless bureaucrats at the Department of Trade and Industry were asked recently to put forward more names of small entrepreneurs for the honours list, they had a ready excuse as to why it would be inadvisable. Apparently, the DTI seems to be under the impression that most small businessmen, in order to be successful, have to sail close to the law ....

If true, it's an interesting perspective on how civil servants see business, and why it is difficult to succeed in the UK.

Selection tray

■ Headhunter Egon Zehnder has just taken on what must be one of its most difficult assignments – finding a chief executive for the Swiss fine chocolate group, Lindt & Sprüngli.

The job has changed hands five times in the past six years, and became available again two weeks ago after the autocratic chairman, Rudolph Sprüngli, 72, suddenly married a woman 28 years his junior who had reportedly been meddling in the selection of company executives.

Fortunately, there are still some members of the family prepared to step in. Luzius Sprüngli, the chairman's younger son, plans to join as assistant marketing director next year. His older brother, Rudolf, was ejected by his father as marketing director last year, but Luzius may fare better.

He did his dissertation at the University of St Gallen on "The new role of the board of directors".

All relative

■ A couple of monkeys were discussing why visitors to their zoo found them so fascinating. "Well," said one, "it all goes back to Charles Darwin and his book, The Origin of Species, which proved we all came from the same family."

"Heaven forbid," said his mate. "Am I my keeper's brother?"

FINANCIAL TIMES
Wednesday August 19 1992

Bundesbank criticises east German subsidies

By David Waller in Frankfurt

THE Bundesbank is intensifying its attack on the Bonn government's economic policies in east Germany, claiming that large subsidies east of the Elbe are stoking inflation.

In its August monthly report, published today, the independent German central bank urges a "step by step" reduction of subsidies for investment in the east.

Attempting to shift part of the responsibility to the government for last month's ¾ percentage point rise in the discount rate, the Bundesbank says eastern subsidies are blunting the effects of its monetary policy.

"The east German economy is almost totally shielded from the effects of interest rate policy," the report says. "This impairs the efficacy of monetary policy instruments and the monetary braking distance becomes longer." Investment incentives are in any case no panacea for east Germany's economic problems, the Bundesbank argues.

Recovery in the east is not linked simply to the sheer volume of investment, the bank argues, but to the quality of investments and their commercial viability.

"The more an investment decision is distorted or eliminated," the central bank says, "the greater the danger of misinvestment and at the same time the waste of already scarce resources."

The attack on the subsidies is consistent with the Bundesbank's general opposition to excessive government spending. Net transfers from the western part of Germany to the east are likely to amount to DM143bn ($96.6bn) this year, falling to DM131bn in 1993.

Details, Page 2

Australian budget provides A$4.5bn to stimulate growth

By Kevin Brown in Canberra

AUSTRALIA'S Labor government unveiled an expansionary budget yesterday intended to stimulate economic growth and reduce unemployment before the next election due by mid-1993.

Mr John Dawkins, the federal treasurer, said the government would provide "a strong but temporary stimulus" of A$4.5bn (US$3.3bn) over the next two years to help create hundreds of thousands of jobs.

The stimulus will increase the budget deficit to A$13.4bn in the year to next July, compared with A$9.3bn in 1991-92. Most will be spent on job-creation schemes, including road-building and capital works in depressed areas.

However, the budget contained few surprises. Most of the job-creation programmes had already been announced earlier this year in a series of economic statements following an 18-month recession.

Mr Dawkins said the economy would grow by only 3 per cent this year, in spite of the proposed stimulus. Mr Paul Keating, the prime minister, forecast in February that growth would reach 4.75 per cent in 1992-93.

Mr Dawkins said the slower-than-expected growth was due to drought, subdued economic activity in many of Australia's main trading partners, and fragile business confidence.

He said the weak recovery meant that unemployment was likely to remain above the politically sensitive level of 10 per cent until next June, the last possible date for an election.

The current account deficit is forecast to increase from 3.1 per cent to 3.3 per cent of gross domestic product as imports grow in line with demand. Inflation is expected to rise from 1.2 per cent to 3 per cent.

Mr Dawkins said the government would honour an earlier promise to cut income tax by A$8.6bn over several years, beginning in 1994. However, the cuts might have to be balanced by increases in indirect taxes, he said.

The government has abandoned plans, announced in February, to balance the budget by 1996. Mr Dawkins said the deficit would be eliminated "as soon as possible".

Mr Martin Ferguson, president of the Australian Council of

Mr Paul Keating, Australia's prime minister (left), and Mr John Dawkins, treasurer, confer before delivering the 1992/93 federal budget, which included the largest deficit in 40 years.

Trade Unions, said the budget was "reasonable and responsible". The conservative opposition called it "a vote-buying spending spree".

The financial markets reacted favourably to the budget, which was in line with expectations. However, some economists said the government's revenue forecasts were optimistic.

Privatisation receipts are estimated to reach A$1.6bn, mostly from the sale of Qantas and Australian Airlines.

The government will also try to sell other assets, including its uranium stockpile.

Abu Dhabi to charge ex-BCCI executives with fraud

By Richard Donkin

ABU DHABI has laid preliminary fraud charges against 14 former executives of the Bank of Credit and Commerce International and intends to hold a formal trial in the emirate.

In the first press interview given by the Abu Dhabi majority shareholders in BCCI since the bank was closed in July 1991, Mr Ahmed Al-Sayegh, an official investigating the affair, said yesterday that Abu Dhabi intended to give all the former BCCI officers it had detained a fair trial.

Formal charges have yet to be laid against the former executives and discussions are still being held about three others detained in the emirate.

Mr Al-Sayegh said Abu Dhabi would pursue individuals whom it believed had defrauded the state. "We are going to go after everybody who has conned us."

He assured depositors that the emirate would honour the compensation agreement it had negotiated with Touche Ross, the bank's liquidator.

Mr Al-Sayegh also promised that Abu Dhabi intended to take a tough stance in civil actions against third parties. He said it was fully committed to suing Price Waterhouse, BCCI's auditor, which the majority shareholders believed did not keep them adequately informed about the bank's problems.

Abu Dhabi has told Lord Justice Bingham, whose report into the regulation of BCCI is expected to be published next month, that Price Waterhouse was involved in a conflict of interest in accepting various roles in the investigation of the bank.

Mr Al-Sayegh said Price Waterhouse was serving in four different capacities – as adviser on the restructuring plan for BCCI, in the investigation into allegations of fraud, as auditor to BCCI, and as the reporting accountant to the Bank of England.

Price Waterhouse said yesterday it felt confident it could defend any conflict of interest accusations. It said its membership of the restructuring and investigation committees was with the consent and approval of Abu Dhabi. Its reporting duties to the Bank of England had been fully understood by the Abu Dhabi officials then involved.

Abu Dhabi defends itself, Page 9

Soviet coup

Continued from Page 1

"freedom marches" organised by the city authorities is reminiscent of old-style birthday celebrations for the Communist Youth League.

Some inhabitants were also bemused by plans to award 600 medals to defenders of freedom in the city when tanks came nowhere near it.

However, the razzmatazz may fall rather flat. Public indifference has long replaced the euphoria which followed the coup's collapse on August 21.

THE LEX COLUMN

Brokers at risk

The stock market yesterday was prepared neither for the size of Sedgwick's dividend cut nor for such stark evidence of the damage which economic stagnation on both sides of the Atlantic is doing to international insurance brokers. Investors perhaps have been confused by recent signals from UK insurers that London market rates are hardening, a development which Sedgwick does not deny. What yesterday's 55 per cent fall in its second-quarter profits underlines, though, is that premiums in the important US retail market are tumbling and that rate rises where they do occur elsewhere do not necessarily flow through into increased brokerage income.

Apart from a tendency by companies to self-insure in difficult times, the fact is that commercial risks have been shrinking as the value of assets and the size of payrolls and turnover have declined. The issue remains, though, how far the general savaging of broking shares yesterday was justified. Given its similarly large US exposure there may be further nervousness ahead of tomorrow's results from Willis Corroon, whose price yesterday fell a mere 7 per cent against 24 per cent for Sedgwick.

The former's dividend may not be in such immediate jeopardy, but the squeeze on dollar earners is painfully evident from Sedgwick's figures. Thanks to accelerating the closure of hedging positions, it has managed to limit the first-half fall in interest and investment income to 10 per cent; with 60 per cent of its cash in dollars the decline is likely to be more than 20 per cent in the second half. Without a strengthening of the dollar the translation rate of US profits will also deteriorate. A halved dividend for the year now seems inescapable, if sustainable. Given the wafer-thin cover of recent years, the question is whether some form of cut was not always inevitable.

FT-SE Index: 2354.7 (-21.4)

Mannesmann

Yesterday's 11 per cent slide in Mannesmann's share price suggests the market was caught offguard by an 89 per cent fall in first-half net profits. In fact, the decline in earnings is less dramatic if the investment in mobile telephones is stripped out. The comparable period was also flattered by an exceptional disposal gain, although the company has never revealed the exact amount. But even German disclosure practice cannot disguise a poor performance by the core engineering business. The company's gloomy statement on the trading outlook underlines that the market is right to err on the side of caution.

With 60 per cent of sales coming from export markets, Mannesmann is a fair barometer of cyclical trends both in Germany and across the European capital goods sector. In common with its peers, yesterday's results show some benefits from restructuring and cost-cutting. The automotive division has moved back into profit, despite intense pricing pressure from manufacturers. The Brazilian operations have also been turned around. Yet these one-off gains only highlight some serious cyclical weakness in tubes, plant engineering and machinery – which together account for more than half of sales. Without contributions from acquisitions, plant and machinery orders are running at a lower level than last year.

Mannesmann's diversity may leave it better placed than the competition to ride out recession. With around DM3bn in the bank it appears to have pockets deep enough to maintain the dividend – albeit at a cost of DM290m this year – until the upturn. The prospect of profits from telecoms also argues for a higher multiple than for pure engineering stocks, although the message yesterday was that this argument can only be stretched so far.

Japan

Japan's finance minister may insist that his rapidly-unveiled package of economic measures was not a response to the further fall in Japanese equities, but the markets believe otherwise. Tuesday's fall was precipitated by the current twin obsessions of Japanese investors: falling earnings and the parlous state of the financial system.

Mr Hata's remarks only underline the seriousness of the banks' position. With the Nikkei average at these depressed levels, there is a real threat that Japanese banks will be unable to meet new capital adequacy requirements next March.

The government's position deserves some sympathy. A large package of fiscal measures including substantial public works is being prepared for the end of the month. In advance of this stimulatory boost the finance minster is trying to prevent banks bolstering their balance sheets by selling profitable stock holdings. However, Mr Hata's specific suggestions are not reassuring.

By allowing banks to value securities at cost, rather than market value, the government is merely disguising the hole blown in bank balance sheets. Making it easier for banks to sell loans to insurance companies may also transfer some of the credit squeeze on to companies without the banks' capital constraints. However, that raises the question of which loans to sell. Disposing of good loans will degrade the banks portfolio, poor loans may only be sold at a discount, which means write offs of the banks' core capital unless hidden by off-balance sheet shenanegans.

One thing in favour of the package is that it may temporarily ease the risk of a credit crunch. But that is little enough to set against an equity market locked into a bearish psychology.

Wang

In one way, Wang's fall into chapter 11 bankruptcy is testament to the savage competition facing computer manufacturers. In another it highlights the weakness of the 1980s argument that high debt is a useful spur to management.

Wang made a strategic error when it fell behind in technological development and was slow to move into "open" interchangeable systems like those of the IBM personal computer. *But with the recession upon it,* Wang was trapped between high debts and resulting poor cash flow on the one hand and the need to invest in new products on the other. The cause of failure was the inflexibility of debt, as much as management error.

Wang

Continued from Page 1

and other one-off items of $51.9m (£22.8m). Revenues last year were $1.9bn ($2.09bn), with $473.6m coming in the final three months.

Under Chapter 11, it is customary for existing management to remain in control and Mr Miller said yesterday that, with board support, he planned to continue running the company.

Wang shares, which had plunged in recent days to just $0.75, were suspended yesterday.

Alan Cane writes: Wang's UK subsidiary, employing some 720 people, said yesterday it was not affected in the short term by the bankruptcy. Chapter 11 provisions had no authority in Britain. The company said customers would still be supported and staff should not fear for their jobs. The company turns over about £100m a year and is profitable, it added.

Bitter Bosnian winter may put the lives of 2m at risk

By Judy Dempsey, eastern Europe correspondent

THE bitter winter of the Balkan peninsula will claim the lives of many people in Bosnia-Hercegovina unless conditions there improve rapidly, officials from the United Nations High Commissioner for Refugees said yesterday.

The people most at risk will be the thousands held in detention camps, but as many as 2m people in the Bosnian war zone could be at risk.

"Not only is there massive destruction of buildings but there are no windows left," said Mr Charles Lamuniere, director of the United Nations department of Humanitarian Affairs. "So when those winds start blowing – you know, Sarajevo is in a valley and the wind will start blowing – people will die of cold, water will freeze," he said.

Mr Lamuniere said he was particularly concerned about those prisoners in detention camps. He specified 3,000 Moslem men he saw in the Serbian-run camp at Manjaca, northern Bosnia. He said the detainees were forced to sleep on cold concrete floors.

Ms Sylvana Foa of UNHCR said about 200 homes were being destroyed everyday. "We're really worried about everyone in the war zone. That's about 2m people. Time is very pressing. We probably have another eight weeks before it gets cold." The UNHCR needed personnel, supplies, heating equipment, blankets and plastic sheeting to cover up the windows, she said.

Getting massive aid supplies into Bosnia will require guarantees of safe passage, particularly by the Bosnian Serbs and Serb irregulars, a western diplomat said. However, western caution could be enhanced by an attack yesterday on an RAF relief aircraft at Sarajevo airport.

The airport was temporarily closed by the UN authorities based in the Bosnian capital. But western diplomats said it was unlikely that all humanitarian relief operations by air would be suspended.

World Weather

City		°C	°F
Ajaccio	S	29	84
Algiers	S	31	88
Amsterdam	R	18	64
Athens	S	35	95
Bahrain	S	38	100
Bangkok	C	33	91
Barcelona	S	29	84
Beijing	F	27	81
Beirut	S	29	84
Belfast	F	17	63
Belgrade	S	32	90
Berlin	S	20	68
Biarritz	F	24	75
Bombay	F	29	84
Bordeaux	S	29	84
Boulogne	C	19	66
Brussels	F	21	70
Budapest	S	31	88
Buenos Aires	F	21	70
Cairo	S	32	90
Cape Town	S	19	66
Caracas	C	29	84
Casablanca †	F	34	93
Chicago †	F	17	63
Cologne	C	20	68
Copenhagen	F	20	68
Corfu	S	34	93
Dallas †	F	19	66
Dublin	F	17	63
Dubrovnik		–	–
Edinburgh	F	16	61
Faro	S	31	88
Florence	S	28	82
Frankfurt	S	23	73
Geneva	S	29	84
Gibraltar	S	25	77
Glasgow	F	17	63
Helsinki	C	14	57
Hong Kong	C	30	86
Innsbruck	S	28	82
Inverness	F	17	63
Islamabad	C	29	84
Istanbul	S	30	86
Jakarta	C	33	91
Johannesburg	F	18	64
Lisbon	F	29	84
London	F	18	64
Los Angeles †	S	21	70
Luxembourg	F	25	77
Madeira	F	24	75
Madrid	S	34	93
Majorca	S	30	86
Malaga	S	29	84
Malta	S	31	88
Manila	R	28	82
Melbourne	S	12	54
Mexico City	C	22	72
Miami †	S	28	82
Milan	S	30	86
Montreal †	C	18	64
Moscow	C	22	72
Munich	S	28	82
Nairobi	C	22	72
Naples	S	33	91
Nassau	C	33	91
New Delhi	C	28	82
New York †	C	20	68
Nice	S	27	81
Nicosia	S	28	82
Oporto	S	28	82
Oslo	F	18	64
Paris	S	28	82
Prague	F	22	72
Reykjavik	C	12	54
Rhodes	S	28	82
Rio d'Janeiro	F	27	81
Rome	S	28	82
Salzburg	S	29	84
S'Francisco †	C	13	55
Seoul	S	30	86
Singapore	F	29	84
Stockholm	C	17	63
Strasbourg	S	29	84
Sydney	S	16	61
Taipei	C	31	88
Tangier	S	33	91
Tel Aviv	S	30	86
Tenerife	S	25	77
Tokyo	S	30	86
Toronto †	F	14	57
Tunis	S	31	88
Valencia	S	30	86
Venice	S	29	84
Vienna	S	29	84
Warsaw	F	22	72
Washington †	C	21	70
Zurich	S	29	84

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T - Thunder

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FINANCIAL TIMES

COMPANIES & MARKETS

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Wednesday August 19 1992

INSIDE

Rivals eagerly await results from Sony

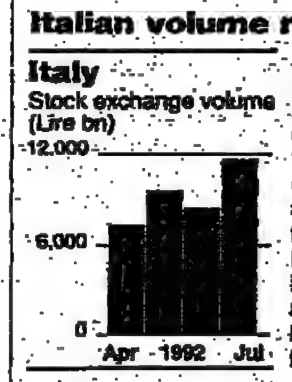
Sony of Japan's shareholders will not be the only group waiting for signs of an upturn when it reports its first-quarter results after plunging into a Y20.5bn ($161.41m) parent operating loss in the year to last March. Keen interest in Sony's fortunes will also be shown by a batch of Japanese electronics companies, which look to Sony to set a technological lead. Page 17

BT to invest $1bn

British Telecommunications is planning to invest about $1bn over the next 10 years to build a network outside the UK to support its ambition to become the world's leading telecommunications group. Page 19

Italian volume rises

Italy
Stock exchange volume (Lire bn)



European stock market turnover registered at least two serious changes in trend in July, with Italy showing a gain of 39 per cent over June, and France a 25 per cent fall. In the case of Italy, this change is happening when equity trading activity is at a very low level compared with earlier years. Back Page

T Cowie clarifies bid

The UK Takeover Panel has told T Cowie, the motor dealer bidding for rival Henlys Group, to clarify five points in its final offer document issued last week. The latest request follows other clarifications and withdrawals of remarks made during the bid which the panel has required. Page 19

Worries over silk

India's earnings from silk goods exports rose by nearly 55 per cent during the year to March 1992, but the industry and the federal government remain dissatisfied with the industry's position as a minor player in the world market. And in Japan, where a century ago the humble silkworm led the country on its march to becoming an economic superpower, silk farmers are wondering how much longer they can survive. Page 20

Hickson International ahead

Hickson International, the UK chemicals group which has been subjected to two years of management upheaval, yesterday named Mr Dennis Kerrison, former chief operating officer, as chief executive. The announcement was made as the group announced a £9m ($17m) increase in pre-tax profits, aided by lower interest charges, to £16.9m for the six months to June 30. Page 19

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Aachen Mch	730	+	10	Accor Entrepr	599	+	14
Falls				Essilor Int	375	+	15
Allianz	1684	-	28	**Falls**			
Lahmeyer	587	-	43	Eaux Cie Genl	2122	-	46
Linotype-Hell	360	-	10	Paribas	304.4	-	11.6
MAN	293.6	-	15.9	Roussel-Uclaf	411.1	-	18.9
Mannesmann	238.2	-	29.1	Schneider	576	-	26

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
American Expl	2 7/8	+	3/8	Nippon Housing	167	+	27
Caesars World	33 1/4	+	7/8	Nomura	1110	+	110
Dell Computer	25 1/4	+	2	**Falls**			
Dun-Filbauer	33 3/8	+	1 5/8	Chugoku Marine	411	-	49
Falls				Mitsui Sugar	316	-	39
Hewlett Packard	57 1/2	-	3 1/2	Nachi-Fujikoshi	340	-	43
Kroger	11 7/8	-	1 5/8	Shimura Kako	330	-	40

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Eurotunnel Uts	349	-	12
Barcom	88	+	6	Forte	128	-	6
Bemec Inds	8 1/4	+	1 3/4	Heath (CE)	268	-	24
CMW	8	+	3	Heritage	21	-	4
Kwik-Fit	105 1/2	+	7 1/2	Hickson Intl	174	-	14
Mitsm Foods	1545	+	92	Hillsdown	105	-	13
Norweb	349	+	11	Lilley	6	-	3 1/2
Pearson	341	+	10	Manders	188	-	10
Wace	95	+	4	Saatchi	143	-	9
Falls				Sedgwick	110	-	34
Bedford (Wm)	15	-	3	Trafalgar Hse	54 1/2	-	3 1/2
Blue Circle	179	-	8	Willis Corroon	177	-	14
Condor	4 1/2	-	1 1/2				
Davies Newman	18	-	3				

Christopher Parkes on the cost to the German group of its mobile phone venture

Mannesmann falls 89% in first half

MANNESMANN, the German engineering group, yesterday reported an 89 per cent fall in first-half profits and blamed launch costs of its D2 Mobilfunk mobile telephone network. Net earnings declined from DM134m ($91.6m) to DM15m on sales up 21 per cent to DM12.8bn.

However, underlying turnover stagnated and most of the increase was due to consolidation of newly purchased vehicle component companies. It saw no possibility of any improvement in the second half.

Even excluding costs associated with its entry into telecommunications, net profits still shrank 27 per cent to DM165m from DM226m last time.

"High costs, global competition with inadequate prices, wide-ranging declines in our markets and the dollar-D-Mark relationship are putting earnings under pressure," said Mr Werner Dieter, group chairman.

Even so, most Mannesmann divisions were doing better than average, he claimed.

The telephone business, launched in July, recorded sales of DM1m in the first half. The network covers about 40 per cent of Germany and 70 per cent of the population. The aim is to extend it to reach 80 per cent by the end of this year.

With an estimated 5,000 customers on-line at the launch, the group now has 10,000 and expects 100,000 by the middle of next year. Tax benefits related to the investment will not come through until D2 shows its first profits.

Total group orders were up 18 per cent at DM15bn, due mainly to contracts booked with new acquisitions.

The plant and machinery divisions, with almost 40 per cent of turnover suffered that conditions in export markets and falling sales at home. Order intake, up 2 per cent, was 4 per cent down in a like-for-like comparison.

Sales of steel tubes fell 10 per cent to DM2.35bn in the January to June period under review because of heavy price competition from eastern Europe.

About half of the DM3.6bn-worth of new orders for vehicle components stemmed from newly consolidated subsidiaries VDO and Boge. Despite difficulties in world motor markets, this sector, the second biggest in Mannesmann, showed an unspecified profit after losses last time estimated at DM110m.

First-half sales were up 96 per cent at DM3.5bn.

Exports from Germany rose 3 per cent and sales by foreign subsidiaries 32 per cent to almost DM4bn. Group investments rose more than half to DM761m.

Cost-cutting continued, and although acquisitions led to a 16 per cent increase in the workforce, the underlying figure fell 4,500. At the end of June the group had 141,000 on its payroll.

Lex, Page 14
Market report, Back Page

Up and running but not yet breaking even

SOME OF the pioneering bravado has waned in the two-and-a-half years since Mannesmann won its licence to operate Germany's first cellular telephone system – a move which marked its first significant departure from its traditional engineering business, writes Christopher Parkes in Bonn.

The initial total investment of $800m has drained group resources at a time when profits have been squeezed by international recession and a slowdown in home markets.

But now the network is up and running. It aims to break even in 1994. Mannesmann, which owns 51 per cent of Mobilfunk, and partners Pacific Telesis of the US (26 per cent), DG Bank (10 per cent), Cable and Wireless (5 per cent), Lyonnaise des Eaux (2.5 per cent) expect great things – but not quite yet. Consumer confidence in Germany is low and falling. National retail sales fell 6 per cent July, just as D2 Privat, as it is known, and D1, the federal telecommunications utility's competitor, made their debut.

But while the partners have been spending, the Bonn telecommunications ministry has grown increasingly enchanted by the notion of competition and mobile phones for all. Mr Christian Schwarz-Schilling, the minister responsible, called in June for bids for a licence for an E1 network.

Potentially more flexible and cheaper than D1 and D2, it is likely to present a challenge unforeseen at the time Mannesmann took the plunge.

SAS returns to black in first half

By Robert Taylor in Stockholm

SCANDINAVIAN Airline Systems (SAS) yesterday reported a pre-tax profit of SKr502m ($94.3m) for the first six months of the year, compared with a SKr1.025bn loss during the same period in 1991.

The airline's operating revenue rose almost 5 per cent to SKr16.138bn from SKr15.158bn.

Mr Jan Carlzon, SAS chief executive and president, said the airline had "bucked the trend amongst most European airlines" during the first half of the year by moving into profit.

He suggested this was because SAS had "moved earlier and more forcefully to realign its cost structure to create a more efficient operating base" in response to the increasing competitiveness in the European civil aviation industry and the downturn in demand.

SAS estimated its financial results for the second half of the year would be close to break even, but the profit for the whole of 1992 would be only marginally better than the result for the first half.

Mr Carlzon said the result for the second half would be affected by adverse foreign exchange transactions, a continuing weak market in SAS's main areas of activity in the Nordic region, western Europe and trans-Atlantic routes, and the cost of integrating Linjeflyg, Sweden's domestic airline, into SAS's structure.

SAS made a pre-tax profit in its airline operations of SKr492m in the first six months of the year, compared with a SKr543m loss for the same period of last year. Its passenger traffic volume rose 3 per cent and production 5 per cent, as SAS increased its share of a declining business travel market.

Its charter airline business continued to run at a loss. In the first six months it suffered a deficit of SKr64m, though this was better than the SKr151m deficit for the first six months of last year. SAS's losses in its international hotel operations fell to SKr95m from SKr362m for the first six months of last year, while its service activities made a SKr78m profit, compared with an SKr18m loss for the same period of last year.

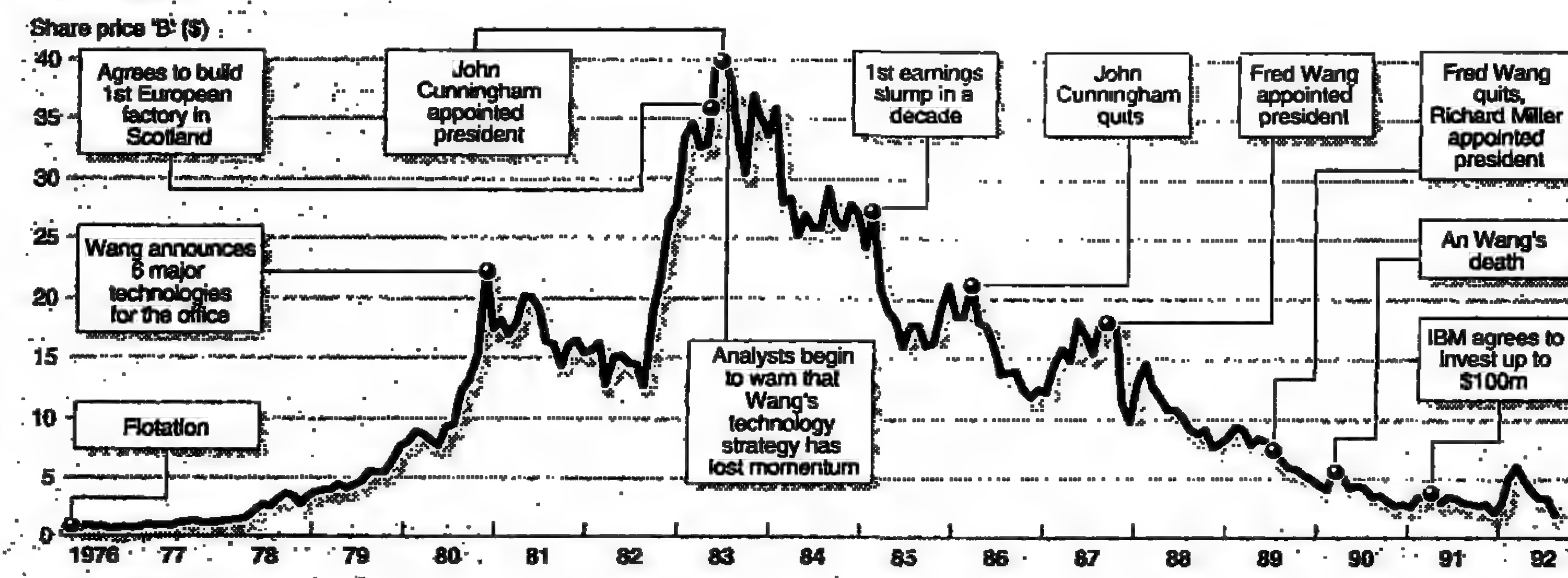
Mr Carlzon said SAS would continue to restructure and improve efficiency with job cuts and rationalisation as it struggled to increase market share in Scandinavia.

An American dream turns sour

Alan Cane on troubles at Wang, the product of a genius

Wang Laboratories

Share price 'B' ($)



Source: Datastream

Wang Laboratories, which yesterday sought protection from its creditors in Chapter 11 of the US Bankruptcy Code, is an American business dream turned sour.

Founded in 1951 by Dr An Wang, a Chinese immigrant with a prodigious talent for invention, the company at one time had annual sales in excess of $3bn and employed more than 31,000 people.

If it had continued to grow at the pace it set in the early 1980s, it would by now have outstripped International Business Machines, the world's dominant computer company, and have annual sales in excess of $100bn.

Revenue projections for small, rapidly growing companies tend to produce such fantastic scenarios. But Wang seemed destined to become a significant minicomputer company by any measure.

Dr Wang's genius was to recognise the potential for small computer systems in the office. He pioneered a way of thinking about office automation that was exactly right for the time. Wang essentially invented computer-based word processing and the quality of Wang's word processing software remains convincing even today.

But times and technology change, and Wang's tragedy lay in failing to keep pace either with technology or with fast-evolving markets.

Yesterday, when chairman and chief executive Mr Richard W. Miller reluctantly put the company into bankruptcy, annual revenues had slipped to less than $2bn, staff numbers had been reduced to just over 13,000 and debt stood at about $540m.

For Mr Miller, it was a disappointing end to a three-year battle to return Wang to profitability. Appointed in 1989 as president and chief operating officer, he took over as chief executive on Dr Wang's death from cancer in 1990. He cut costs, improved operating efficiency and paid off $575m in debt. On its own, the company's resources and cash flow proved insufficient to complete the restructuring.

The final straw seems to have been a decision on the part of IBM not to proceed with a second tranche of funding which it agreed with Wang last year. The former bitter competitors agreed an iconoclastic deal. IBM would invest up to $100m in Wang which would in turn distribute IBM's mid-range systems alongside its VS minicomputer range.

It seems, however – and in spite of official denials – that Wang was not able to fulfil its part of the bargain. IBM seems to have decided to cut its losses and refuse further cash injections.

Wang is the most dramatic victim to date of the savage changes within the computer industry which have damaged growth of revenues and profits for all the big players. IBM and Digital Equipment, the world's largest mainframe and minicomputer manufacturers respectively, both lost money last year and have put in place traumatic restructuring measures.

Dr An Wang: genius

These include the plummeting costs of computer hardware, a move towards standard rather than proprietary systems among customers and a questioning attitude among customers about the value of further investment in computer systems. The recession in most of the world's developed markets has also put a cap on capital spending.

Wang's problems, however, can be traced back to at least a decade ago when analysts first began to realise that the hitherto pace-setting company was failing to keep pace with some critical technological changes.

Over the succeeding years it continued to lose touch, failing to exploit industry trends like the move to personal computers – which essentially destroyed Wang's market for minicomputer-based word processing systems – and the development of open, nonproprietary computer designs. It also built up debt which in 1989 was close to $1bn.

Other companies have fallen into the same trap – Digital Equipment of the US is one, Norsk Data of Norway another – but Wang was also plagued by management changes at the top which cost the company its sense of direction at the critical time.

Dr Wang relinquished control of the company first to Mr John Cunningham and then to his son Frederick, taking up the reins himself again in 1989 as the situation deteriorated. Mr Miller was appointed shortly afterwards as Dr Wang's illness worsened.

What is the future for the company? A buyer seems doubtful. Mr Miller says he is committed to staying with Wang and transforming it from debt-laden manufacturer to finely focused software and services company specialising in office automation.

Computing services is the only route available to computer companies which have failed as manufacturers but Wang still commands respect for the excellence of much of its technology.

It has some 35,000 customers world-wide for its minicomputers, many fervently loyal to the company, and it can still claim to be a pioneer in office imaging systems – potentially a large and profitable market.

In the UK, its best market outside the US, its largest reseller Text Systems of London pledged support to its customers.

Mr John Podbury, managing director, paid tribute to the company's efforts to pull back from the brink. But heroics are not enough in computer markets. For Mr Miller and his greatly reduced company, Chapter 11 is only the beginning of the long, uncertain, haul back.

Drug groups in US venture to market OTC medicines

By Paul Abrahams in London

SMITHKLINE Beecham, the Anglo-US pharmaceuticals and consumer products group, is to create a partnership with Marion Merrell Dow to develop and market over-the-counter (OTC) non-prescription medicines in the US.

The new group would have had sales last year of $660m and operating profits of $120m, making it the fifth largest OTC group in the US. SmithKline Beecham's shares closed down 7p at 455p.

SmithKline Beecham will initially own 90 per cent and Marion Merrell Dow 10 per cent of the partnership. SmithKline Beecham's American OTC sales last year were about $550m, while Marion Merrell Dow's were $111m.

The aim is a 50-50 arrangement as new products are licensed. The companies said they were committed to similar co-operation in other countries. Mr John Ziegler, North American president of SmithKline Beecham consumer brands, will lead the partnership.

Mr Bob Bauman, the Anglo-US group's chief executive said: "When SmithKline Beecham was created we said our vision was to achieve leadership in healthcare and in each of our four business segments." He added that the partnership with Marion Merrell Dow was another step towards achieving this goal."

Both groups have prescription products that could be marketed by the new group. SmithKline Beecham has asked the US Food and Drug Administration (FDA) for an OTC licence for Tagamet, the anti-ulcer drug whose patents run out in 1994. It had worldwide sales last year of more than $1bn.

Marion Merrell Dow said it might seek OTC licences for Seldane, an anti-histamine, and the anti-smoking products, Nicorette and Nicoderm. Nicoderm, which uses a transdermal patch, was launched in 1991, and had sales of $137m during the first six months of this year.

"The deal is rather imprecise," said Mr Jonathan de Pass, pharmaceuticals analyst at BZW. "It all depends on whether they receive FDA approval for Seldane and Tagamet, and whether they successfully extend the relationship worldwide. If they do, the implications are enormous."

Safety concerns about the new partnership's Seldane and Tagamet may delay or prevent FDA approval.

Seldane is potentially dangerous to patients with a damaged liver or those taking two other drugs, Ketoconazole, an anti-fungal treatment, and Erythromycin, an antibiotic.

Efim talks will resume in London

By Haig Simonian in Milan

ITALIAN treasury officials and foreign bank creditors of Efim, the state holding company put into voluntary liquidation last month, have arranged to meet in London next week to try to resolve the severe differences which have emerged over how to treat the group's large borrowings.

However, a treasury official yesterday denied the meeting implied the Italian authorities were ready to change the conditions on bonds for creditors announced last week.

The decision to hold a meeting followed a hastily arranged two-hour session in Rome on Monday night between senior treasury officials and foreign bank representatives at which the two sides exchanged views, but reached no immediate decisions.

The meeting was convened after last week's decision by foreign bank creditors to declare Efim in default on its borrowings and their threat to take similar action over Italy's four biggest public sector groups, which have just been transformed into joint stock companies.

The escalating tension between the foreign banks and the Italian authorities over Efim followed last week's decision by the treasury to set the interest payments on the bonds to be issued to cover Efim's borrowings at substantially below current market levels.

While the five-year lira bonds would pay interest at 7.25 per cent annually, those in Ecu would have a 4 per cent coupon.

Monday night's meeting included Mr Mario Draghi, the senior civil servant in the treasury, as well as Mr Enrico Granata, one of the ministry's five director generals and its top lawyer.

Also present were Mr Alberto Predieri, the special administrator appointed to run Efim, and a representative from the Bank of Italy.

Treasury officials yesterday took pains to point out that no commitment had been made to raise the interest rate on the bonds, one of the creditor banks' main demands.

"The aim of the meeting was to exchange views and fix a working programme for further talks in London," said a spokesman.

A concession on the interest rates would represent a large climb down by the Italian authorities, which have argued that creditor banks should have been aware of Efim's perilous financial position.

However, the heavy borrowings of the four big public sector groups transformed last week has left the new government exposed

This is particularly the case in view of the role foreign financial institutions are likely to play in its accelerated privatisation programme.

Poor US trading conditions hit Sedgwick

By Richard Lapper in London

A SHARP and unexpected deterioration in trading conditions in the US and falling interest rates hit profits at Sedgwick, the UK's second biggest insurance broker, which yesterday cut its interim dividend. Sedgwick shares fell 34p to 110p.

A pay out of 3p compares with an interim dividend of 4p at the half-way stage last year. Pre-tax profits fell to £51.7m ($99.2m), down from £65.3m. Earnings per share fell to 7.4p per share compared with 10p per share last year.

Mr David Rowland, the outgoing chairman, said Sedgwick had kept its dividend at 12p since 1986 when pre-tax profits amounted to £136m. But as profits have fallen steadily since then, Sedgwick has struggled to maintain cover.

Mr Rowland attributed the cut to difficulties in trading conditions and further reductions in premium rates, especially in the US which generates 40 per cent of operating revenues.

"Dividend cuts come about for other reasons than 'disasters in business'," said Mr Rowland, who is expected to take over as chairman of Lloyd's of London next year.

Operating income was down by 1 per cent to £323.3m, with US income down to £110m from £113m.

"Rates are continuing to go downwards. It is very, very competitive," said Mr Quill Healey, chief executive Sedgwick James USA.

In London Sedgwick Payne, the specialist reinsurance broking subsidiary, has suffered from the virtual disappearance of the retrocession (the reinsurance of reinsurance) market, following heavy losses in recent years.

In spite of an increase in income from financial reinsurances, reinsurance revenues were also down.

Expenses remain stubbornly high. Staff numbers were reduced by 89 during the year, but expenses rose to to £291.1m from £286.6m.

Investment income fell 11 per cent to £26.3m. US interest rates after hedging were 6.7 per cent compared with 7.6 per cent last year.

UK rates after hedging were 11.3 per cent, compared with 13.1 per cent last year. The company has also been hit by the weakness of the dollar.

Losses of £1.9m at the River Thames Insurance depressed profits earned by associated companies to £200,000 from £1.6m. Interest payable increased to £7m from £5.4m.

Lex, Page 14
Scene, Page 19

Schering offloads plating unit to Elf

By Alice Rawsthorn in Paris

SCHERING, the Berlin-based pharmaceuticals and chemicals company, is continuing its restructuring by selling its electro-plating division to Elf-Aquitaine, the French state-controlled energy group.

The deal with Elf comes shortly after last month's DM660m ($445.9m) sale of Schering's industrial and organic chemicals subsidiaries to Witco of the US. The two disposals form part of the German group's strategy of focusing on its core businesses in pharmaceuticals and plant protection chemicals by selling other interests where it has a smaller market presence.

Schering, which recently reported a fall in earnings of 4 per cent to DM179m on sales of DM3.4bn for the first half of this year, has been known to be in discussion with a number of prospective purchasers for the electro-plating business, which has annualised sales of about FFr1bn ($202m) and 1,100 employees.

Elf has agreed to buy the business from Schering for an undisclosed sum. It will integrate it within its Elf-Atochem chemicals division. Elf-Atochem has significant plating interests, which make annual sales of FFr800m, chiefly through its M & T Harshaw business in the US.

The Schering electro-plating businesses, which are concentrated in Europe, will complement Elf-Atochem's existing interests in North America. Elf-Aquitaine, which staged a successful FFr2.08bn sale of a 2.3 per cent minority stake in its shares, has been expanding its interests across the energy and chemicals sphere.

The French group sustained a slight decline in net income from FFr10.6bn in 1990 to FFr9.8bn on sales of FFr200.7bn in 1991. Morgan Stanley, the securities house, forecast a further fall in earnings per share from FFr35 in 1991 to FFr28 this year because of the sluggish economic backdrop and the weakness of refined product prices and the US dollar.

Loss at Den Norske Bank increases to NKr1.162bn

By Karen Fossli in Oslo

DEN NORSKE BANK, Norway's biggest bank, yesterday revealed an increase in first-half net losses to NKr1.162bn ($201m) from a loss of NKr921m in the same period last year.

DnB's A-shares plunged 22 per cent to NKr4.30 on the Oslo bourse, following the news. The bank admitted that increasing losses will make it difficult to comply with the state's demand that it break even in 1992. The demand was made in connection with a NKr5.9bn state cash injection received by DnB last December which gave the state a 55.6 per cent stake.

Non-performing loans increased to NKr10.7bn by the end of June, from NKr10.3bn at end-March and NKr10.2bn at the end of last year. Gross non-performing loans rose to NKr19.7bn by end-June from NKr19.1bn at end-1991.

DnB's first-half figures for this year and last are not directly comparable because this year's figures include Realkreditt, a mortgage company, acquired by the bank last December in connection with the state rescue package. Realkreditt, in the first half, accounted for nearly NKr200m of DnB's overall losses. The bank warned that loan losses to the shipping industry would be higher this year than last.

The bank's shipping portfolio is estimated at NKr22bn and first-half loan loss provisions reached NKr181m, which the bank said would materialise into losses.

On the bright side, first-half net interest income was up slightly to NKr2.332bn from NKr2.254bn in the same period last year. Operating expenses in the period were cut to NKr2.408bn from NKr2.450bn. The bank has set a goal of maintaining annual operating expenses at NKr4.5bn. Credit losses fell by NKr241m to NKr1.978bn.

"Although loan losses . . . are at an unacceptably high level, developments are pointing in the right direction," said Mr Finn A. Hvistendahl, group managing director.

Danish bank may pass dividend

By Hilary Barnes in Copenhagen

UNIDANMARK, Denmark's second largest banking group, expects to pass the dividend for 1992 after making a substantial loss in the first half. The dividend last year was DKr10 per share, totalling DKr463m ($82m).

The bank reported a DKr1.48bn first-half loss compared with a DKr728m profit in the same period last year and a loss for the whole of 1991 of DKr1.55bn. A substantial contribution to the first-half loss arose in the UK, where the bank's subsidiary, Unidanmark Holding, reported a DKr508m loss, reflecting provisions to cover falling property values.

The bank will cut staff at the London arm from 202 people to about 115 in 1993. The London bank's status will be changed from a subsidiary to a branch of the Danish parent bank. Unidanmark parted company with its chief executive, Mr Steen Rasborg, earlier this month in anticipation of the poor first-half result.

No replacement for Mr Rasborg has so far been announced. The bank's first-half result before provisions was down from DKr2.79bn last year to DKr1.18bn. The main factor was a swing in the adjustment for the value of its securities portfolio from a positive DKr1.43bn last year to a negative DKr314m this year. Provisions climbed to DKr2.44bn from DKr2.00bn last year. The bank's costs, however, declined from DKr3.33bn to DKr3.26bn.

The balance sheet total was down from DKr263bn at the end of last year to DKr256bn.

The capital adequacy ratio at the end of the first half was 10.6 per cent, against 10.4 per cent at the end of last year.

Pacific Magazines beats expectations with A$52m

By Bruce Jacques in Sydney

PACIFIC Magazines and Printing, the recently floated magazine offshoot of Mr Rupert Murdoch's News Corporation, has exceeded prospectus earnings forecasts in the year to end June.

The company, whose shares were listed in February this year, yesterday announced net profit of A$52.3m (US$37.8m), against a prospectus forecast of A$49.7m on revenue of A$589.3m.

As foreshadowed in the prospectus, a 10 cents a share dividend was paid in July. Figures issued by the company yesterday showed that printing operations contributed a A$52.4m pre-tax profit while magazines contributed A$46.3m.

Directors indicated that the company was expanding offshore while Australia remained in recession. This was reflected in an application for a printing joint venture in Indonesia and the purchase of a security printing operation in Hong Kong.

Hunter Douglas reduces full-year profits forecast

By Ronald van de Krol in Amsterdam

HUNTER DOUGLAS, the Dutch-based manufacturer of window coverings and architectural products, yesterday lowered its forecast for full-year profits after net profit in the first half slid by 44.2 per cent to Fl 23.2m ($14m).

The company, which had previously forecast an improvement in 1992, said it no longer expected results to exceed those for 1991. However, the group said it was well placed to post better results in 1993, when it expected an economic upturn in North America and Australia, two of its most important markets.

It blamed the first-half downturn on the slow pace of recovery in Anglo-Saxon economies, the weakness of European economies, the decline in the dollar and continued low aluminium prices, which affected its smelter business.

Group sales in the first half fell by 2.8 per cent to Fl 858m, reflecting negative currency movements and divestments.

Roussel-Uclaf heightens French corporate gloom

By Alice Rawsthorne

ROUSSEL-UCLAF, the French chemicals group, yesterday announced an 18.7 per cent fall in interim net profits to FFr188m ($37.67m) in the first half of 1992, compared with the same period last year.

The news of Roussel's decline in profits is the latest in a series of gloomy announcements from the French corporate sector. The CAC-40 Index, yesterday fell by 1.17 per cent to 1,737.

Roussel fared well in some markets during the first half, notably in health care products, but suffered in others, particularly in veterinary products where it has been hit by the economic problems of the former Soviet states.

The group mustered a modest 3.2 per cent increase in sales to FFr7.34bn in the first half, and held the fall in net profits to 5 per cent on a comparable basis, allowing for restructuring and exceptional items.

Hafnia requests share suspension

By John Authers

HAFNIA, the troubled Danish insurer, yesterday requested a one-day suspension of trading in its shares on the Copenhagen bourse. No reason for the suspension was given but a full statement will be made today.

The insurer has previously said that it intended to give details of a restructuring plan, involving divestments and staff cuts, on August 27. First-half results are due on August 31.

INTERNATIONAL COMPANIES AND FINANCE

Sony to set the tone for the sector

Gordon Cramb previews the results season for Japanese electronics

SONY of Japan's shareholders will not be the only group waiting for signs of an upturn when it reports its first-quarter results today, after plunging into a Y20.5bn ($163m) parent operating loss in the year to last March.

Keen interest in Sony's fortunes will also be shown by a batch of Japanese electronics companies, which specialise in the consumer audio-visual sector and which look to Sony to set a lead in technological innovation.

They will be seeking indications that Sony has products or applications on the horizon which will aid their recovery from the country's protracted downturn in consumer spending.

Analysts in Tokyo, however, see a more immediate problem for the dedicated audio companies. Sony and the larger Matsushita Electric Industrial, they say, are increasingly going *down-market* into cheaper domestic ranges to use surplus production capacity and increase market share. "This will gradually hurt other competitors," said an industry watcher.

Aiwa, partly because it is a 52.5 per cent Sony subsidiary, occupies a special place among those in the sector. In 1987 it was among the first Japanese electronics companies to undergo a restructuring when half its output was moved overseas, mainly to Singapore, and its product line was pruned.

Mr Hajime Ukoni, brought in from Sony and now Aiwa president, said this week he expected others in the audio products industry would probably have to follow a similar route.

JAPANESE AUDIO PRODUCTS MAKERS
1992 parent company forecasts (Ybn)

	Sales	Per cent change	Pre-tax profits	Per cent change
Matsushita	5,050	+1.1	197	+0.3
Sony	2,020	+2.1	50	+107.5
JVC	580	-4.4	1.0	*
Pioneer	433	+4.1	26.5	-19.9
Kenwood	220	+8.4	6.5	+7.1
Aiwa	160	+5.7	3.4	-22.7
Nippon Columbia	102	+0.4	-1.2	*

* 1991 losses: JVC Y2.3bn; Nippon Columbia Y3.2bn. Source: Toyo Keizai

Some large and diversified electronics makers have already either quit the audio sector in the past year or reduced their manufacturing presence. Toshiba has stopped making cassette and compact disc players. Hitachi is concentrating domestic output at the top end of the audio market, while providing marketing support to its loss-making Nippon Columbia affiliate, maker of the Denon hi-fi brand.

Mr Ukoni argued that Aiwa is better placed than specialist audio producers which have not yet shed surplus domestic capacity. However, he added: "We have turned into a headwind. Unless we handle this wisely, we could end up the same as five years ago. It's a tough year for me."

Aiwa's strategy has been to focus on familiar products slightly differentiated from those of its competitors, and then price them keenly. Its best line is a compact stereo system including television and video. The unit is being sold as a household's second system in an otherwise saturated market.

Along with Sony, the usually slower-moving Matsushita remains a potent force at the head of the industry because of its size and its strong brand names, such as Panasonic and Technics.

Against Matsushita's digital compact cassette, Sony places its next-generation audio hopes on the minidisc, a recordable format intended to replace compact discs. The company has been attempting to allay fears that this fight – which it could lose to Matsushita, as it did with its Betamax video format versus its rival's VHS – is inhibiting investment in other potentially *promising* directions.

Mr Norio Ohga, Sony president, said earlier this month that "the burden from investments in 8mm camcorders and minidiscs has been heavy. To recover profits on our previous investments we have to lower new investment".

To counter the domestic downturn, audio producers are stepping up sales in overseas markets, which already account for around two thirds of all revenues for companies in the sector.

Many groups are battling at home to contain production costs and swollen inventories – cutting overtime and shifting staff to product areas which are performing better.

Recruitment of engineers and skilled workers is generally being maintained but advertising budgets have been pared. But in some respects the approaches of the companies differ markedly.

Pioneer, also due to report quarterly results today, agrees with Aiwa in principle. "In Japan there are 42m households. In the past we thought in terms of one system, one household. Now we are targeting family members separately," an official said.

But Pioneer has gone a different route, trying to draw consumers to new products. It is stressing higher price-tag items aimed at those in their 30s and 40s.

Pioneer lists laser home karaoke systems and big-screen projection televisions as growth products. Through its car audio side it has launched a satellite navigation system and a satellite link which shows a vehicle's position on an in-car screen.

Kenwood, also aiming for the upper end of the market, said it has maintained market share partly because it has been generous in its dealer margins. But both companies, along with others, face increasing volume competition from Sony.

Non-operating income kept Sony in the black at the parent pre-tax level last year, while its worldwide entertainment interests held the overall group comfortably in profit.

Today's figures may indicate how it has fared in rebuilding its domestic earnings base in the face of an increasingly dull consumer climate. The tougher its actions in doing so, however, the more other Japanese audio companies are likely to suffer.

IBM joins Sears in voice and data venture

By Karen Zagor in New York

INTERNATIONAL Business Machines and Sears, Roebuck, the US retailer, yesterday announced a joint venture through which the companies will merge their voice-and-data networking businesses into a new service company, to be called Advantis.

The combined size and strength of Sears and IBM, make Advantis, from its inception, one of the biggest private data networks in the world. It will be able to draw upon Sears' huge network in North America, which includes Dean Witter Reynolds, Allstate Insurance and Coldwell Banker.

The venture will also enable the companies to cut costs. Analysts expect it to compete with British Telecommunications and Sprint and General Electric of the US, which also offer voice-and-data communications.

Advantis will be jointly owned by IBM and Sears, with IBM holding a majority stake through its wholly-owned Integrated Systems Solutions Corporations (ISSC) subsidiary. First-year revenues are estimated at about $1bn. The companies would not reveal the financial terms of the venture.

It will offer voice-and-data network services including design, development, out-sourcing and the integration of custom networks. It will also offer value-added network services.

Mr Dennis Welsh, ISSC president, said: "In the 1990s and into the 21st century, networking is the single most important factor in the information technology equation."

Chrysler wins three-year loan extension

By Patrick Harverson in New York

CHRYSLER announced yesterday that a consortium of 152 US and foreign banks had approved a three-year extension of an $8.6bn loan for the auto manufacturer's financial services subsidiary.

The approval of the financing will come as a relief to Chrysler. The closure of the deal had been delayed for several weeks by two banks which had sought improved terms on the revolving credit facility.

To win their approval, Chrysler agreed to new terms that included more restrictive covenants, security interests in Chrysler Financial's US assets, and higher borrowing rates and commitment fees.

Earning an extension on the loan facility was crucial to the Chrysler subsidiary, which provides the financing for many of the carmaker's customers and dealers.

Mr Lee Iacocca, chairman of Chrysler, said yesterday: "Getting (the negotiations with the lenders) behind us will allow us to focus on keeping the flow of outstanding new products coming."

Hewlett earnings disappoint

By Karen Zagor

SHARES in Hewlett-Packard took a beating for the second time this month after the computer and electronic equipment manufacturer turned in third-quarter earnings that were at the bottom of its projections.

Shares in the company tumbled $3¼ to $57⅞ in active midday trading on the New York Stock Exchange. The stock lost more than $12 earlier in the month when Hewlett warned its third-quarter results would be between 76 cent to 87 cents a share, well below Wall Street's expectations of $1.12 a share.

In the end, net income for the three months to July 31 was $191m, or 76 cents a share, compared with $192m, or 76 cents a year earlier. Revenues rose to $4bn from $3.5bn in the quarter.

The company blamed the higher costs of sales for its disappointing earnings. Although sales remained strong in the quarter, gross margins were squeezed by lower prices and a shift towards products with lower gross margins.

Mr John Young, chief executive, said: "The short term looks very challenging. World-wide economic conditions are a concern, with weak levels of capital spending still affecting many parts of our business."

Nevertheless, Mr Young said the company was in an excellent competitive position. He added that they were making structural adjustments to parts of the business and there were new products on the way that should strengthen their portfolio.

For the first nine months, net earnings rose 31 per cent to $823m, or $3.25, from $630m, or $2.52 a year ago. Revenues rose 13 per cent to $12.1bn.

Dayton Hudson increases slightly

By Nikki Tait in New York

DAYTON Hudson, one of the largest US retail groups, yesterday reported a modest improvement in a second-quarter profits, at $42m after tax.

The figure, for the three months to August 1, compares with $40m a year earlier. Sales in the second quarter of 1992 rose to $3.97bn ($3.56bn), and earnings per share totalled 50 cents (47 cents).

The company said the economy was still "restraining sales momentum", and attributed the bulk of the improvement to a lower operating expenses. Comparable store sales rose only 3 per cent in the second quarter.

Dayton's profits for the first half stand at $77m, compared with $74m a year ago. Sales total $7.69bn, against $6.91bn.

● Kroger, the supermarket chain which took on a large debt load when it conducted a defensive restructuring in 1986, warned it will do little more than break even in the third quarter (ahead of extraordinary charges related to early debt retirement).

The company blamed competitive pressures in key markets, plus the aftermath of a strike in Michigan. The overall trend in many major markets was described as favourable but Kroger said profits in Texas and part of the midwest had been hit by tough competition and price-competition.

Shake-up at Nippon Credit Bank aims to save Y6bn

By Emiko Terazono in Tokyo

NIPPON Credit Bank, one of Japan's three long-term credit banks, has drawn up a rationalisation plan, which includes the closure of its overseas operations and a cut in executive allowances.

The bank plans to cut around Y6bn ($48m) in costs by closing four of its overseas operations, consolidating domestic branches, and halving allowances of executives. The bank will also curb new computer investments, and plans to sell part of its property assets.

The move is the first among Japanese banks, which are facing an increasing squeeze in profits due to the rising amount of non-performing loans.

Nippon Credit's leasing affiliates are heavily burdened with doubtful property loans, and the bank is seeking creditor assistance in restructuring its subsidiaries.

Japan's image conscious banks have refrained from actively implementing rationalisation programmes. However, Nippon Credit's announcement could prompt similar moves at other leading banks.

Nippon Credit, the smallest of Japan's long-term credit banks, has tried to compensate for its size by lending heavily to property related developments. Total outstanding bad loans at the bank's three financial subsidiaries are estimated to be as high as Y1,000bn.

The bank's announcement failed to encourage investors on the Tokyo stock market yesterday and the shares fell Y20 to Y4,020.

Write-downs due at Foster's

By Bruce Jacques in Sydney

FOSTER'S Brewing Group, the diversified Australian beer producer, has confirmed market speculation that it will announce major asset write-downs in its next annual earnings statement, due next month.

The company was replying yesterday to the Australian Stock Exchange which was seeking reasons for recent heavy falls in its share price.

Foster's directors referred to a statement in June which indicated that the carrying value of assets was being continually evaluated and further adjustments may be necessary.

"It is expected that this evaluation will be completed in time for the preliminary final statement," they said. "As a result of the continuing recession and deterioration of property prices, it is likely that material reductions in the carrying value of those assets will result."

Directors declined to make a direct comment on speculation that the company may require a share issue to top up its capital after any write-downs.

Gold Fields holds fall to 4%

By Philip Gawith in Johannesburg

GOLD Fields of South Africa (GFSA), one of the country's leading mining houses, held the decline in earnings in the year to June to 4 per cent in the face of weak commodity markets.

Pre-tax profit dropped to R342m ($123m) from R358m while attributable profit was down at R302m from R314m.

Revenue fell to R505m from R518m in 1991 but the decline was attributable to a R20m decline in profit on the realisation of investments. Income from investments – mostly dividend income from its gold mines – rose marginally to R289m from R285m while income from fees, interest and other sources also increased – to R215m from R212m.

Gold Fields' main source of income is its large portfolio of investments, mainly in precious metal mining companies. GFSA has the highest exposure to gold of all South Africa's mining houses. Its Driefontein and Kloof gold mines are among the richest in the world.

The dividend was maintained at 200 cents per share on earnings of 314 cents.

INTERNATIONAL CAPITAL MARKETS

Tokyo hits record high on hopes of rate cut

By Sara Webb in London and Patrick Harverson in New York

JAPANESE government bonds climbed to new highs as yesterday's tumble in the Tokyo stock market raised hopes of further cut in interest rates.

GOVERNMENT BONDS

The Nikkei average index dropped another 620.14 points to close at 14,309.41, its lowest close since March 1986. Dealers said the bond market rallied steadily in response to the stock market's free-fall.

"People are pouring money into the (Japanese) government bond market as they expect to see an easing in interest rates," said one dealer. Short-term interest rates edged lower, with the rate on three-month certificates of deposit slipping from 3.90 per cent to 3.88 per cent yesterday.

The price of the December futures contract for 10-year government bonds traded as high as 106.10, the highest level for the since August 1989.

The yield on the benchmark No 129 moved from its opening level of 4.80 per cent to 4.71 per cent before closing at 4.725 per cent in Tokyo. The No 129 continued to rally in London trading, taking its cue from the strong opening in the US treasury bond market.

Dealers said yesterday's announcement by Mr Tsutomu Hata, the finance minister, of a package of emergency measures yesterday to restore confidence in the stock market had little impact on the bond market.

■ AN unexpected decline in July housing starts lifted US Treasury prices across the maturity range yesterday morning, temporarily eclipsing the market's concerns about politically motivated tax cuts.

By midday the benchmark 30-year government bond was up $\frac{5}{32}$ at $99\frac{1}{32}$, yielding 7.32 per cent. The two-year note was also markedly firmer at mid-session, up ⅛ at $100\frac{1}{32}$, to yield 3.996 per cent.

Prices gained ground after the Commerce department reported that housing starts fell 2.8 per cent last month, and that June's housing starts fell a revised 3.8 per cent (they were originally reported to have declined by 3.2 per cent). Analysts had predicted a modest upturn in housing starts for July, so the figures immediately triggered a spate of buying, especially at the short end of the yield curve.

Short-dated securities were also buoyed by speculation about another policy ease. The Federal Reserve's policy-making Open Market Committee began its monthly meeting yesterday, and investors were hoping that continued economic weakness would persuade the FOMC to sanction another interest rate cut.

■ AUSTRALIAN government bonds staged a strong rally following the government's annual budget announcement and promises of further cuts in interest rates.

The government forecast a budget deficit for the 1992/93 fiscal year of A$13.39bn, towards the low end of expectations. The statement added that "further reductions in interest rates will be possible if the decline in inflation and expectations of inflation is sustained," prompting a surge in the bond market, with shorter-dated issues showing the biggest gains.

Mr John Dawkins, the treasurer, forecast that inflation would average 2 per cent in the year ending June 30 1993, from 1.9 per cent last year. The government expects the economy to grow by 3 per cent this year.

The three-year bond futures contract, which had traded at around 93.08 before the announcement, climbed to 93.24. In the cash market, the yield on the 10 per cent bond due October 2002 moved to 8.28 per cent after the budget, from 8.37 per cent before the announcement.

■ GERMAN government bonds ended slightly weaker with the market awaiting today's Bundesbank tender allocation and the release of the July money supply figures.

The Liffe bund futures contract traded in a fairly narrow range of 87.64-87.78, ending the day at around 87.68.

Dealers warned the market would be watching the Bundesbank's tender allocation for signs of any move in interest rates.

■ STERLING'S weakness in the foreign exchange markets depressed the UK government bond market yesterday with gilts ending the day slightly lower.

The Liffe futures contract slipped from 97.20 at the opening to 97.17 while the 11¾ per cent gilt due 2003/07 drifted from $115\frac{3}{32}$ to $115\frac{1}{32}$.

The Bank of England announced details of its next auction which met market expectations – the Bank will auction £2.5bn of the 8¾ per cent gilt due 2017 on August 26.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	111.1298	+0.431	8.35	8.32	8.79
BELGIUM		8.750	08/02	98.6600	+0.200	8.96	8.99	8.98
CANADA *		8.500	04/02	108.4000	+0.300	7.27	7.17	7.80
DENMARK		9.000	11/00	98.8200	-0.130	9.38	9.47	9.33
FRANCE	BTAN	8.500	03/97	95.7988	-0.157	9.36	9.35	9.40
	OAT	8.500	11/02	98.8500	-0.350	8.86	9.01	9.04
GERMANY		8.000	07/02	100.3300	-0.030	7.95	8.03	8.08
ITALY		12.000	05/02	93.6200	+0.050	13.61	13.54†	13.97
JAPAN	No 119	4.800	06/99	100.3618	+0.269	4.73	5.06	5.26
	No 129	6.400	03/00	108.4483	+0.546	4.71	4.97	5.17
NETHERLANDS		8.250	08/02	99.5450	-0.050	8.31	8.38	8.41
SPAIN		10.300	06/02	89.8500	-0.320	12.10	12.04	12.17
UK GILTS		10.000	11/96	101-27	-3/32	9.46	9.54	9.35
		9.750	08/02	103-13	+0/32	9.22	9.32	9.13
		9.000	10/08	100-04	+0/32	8.98	9.09	8.95
US TREASURY *		6.375	08/02	99-08	+12/32	6.48	6.45	6.86
		7.250	08/22	99-01	+13/32	7.33	7.29	7.66
ECU (French Govt)		8.500	03/02	94.9700	-0.020	9.30	9.41	9.37

London closing *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

Market value of Brazilian foreign debt slips 10%

By Richard Waters

THE market value of Brazil's foreign bank debt has dropped by 10 per cent since the end of last week, leading a wave of bearishness that has swept through all less developed country debt markets in recent days.

The slide in the value of Brazilian debt, prompted by the allegations of corruption that threaten to engulf President Fernando Collor, is widely regarded by LDC debt traders as one of the main causes for negative sentiment in the debt of countries from Mexico to Poland.

Fears that Japanese banks may be forced by their capital adequacy problems to sell debt holdings ahead of the end of their half year on 30 September have also contributed to the decline.

"When the Japanese banks want to sell, you don't know whether it's going to be $10m, or $10,000m," said Mr Ric Haller, head of the LDC debt unit at Morgan Grenfell.

Selling by Japanese banks would be likely to have the biggest effects on markets such as Mexico and Venezuela, where debt prices are at a level where they more than cover the banks' provisions against losses.

Inadequate provisioning, on the other hand, would be likely to prevent them from selling Brazilian debt.

In late trading in London yesterday, Brazilian DFA bank debt was quoted at 27¼ per cent of face value. It had hovered at just above 30 per cent before selling in New York late on Friday pushed it lower.

Traders said yesterday that Brazilian debt now offered the chance of substantial capital gains, although concern about the political situation meant that few buyers were likely to emerge. If Brazil converts its debt into Brady bonds at current levels and on terms so far announced, investors would receive "incredibly high yields of more than 30 per cent a year in dollar terms," said Mr Peter West, economic adviser at Chartered WestLB in London.

The market has become increasingly concerned that the threat of impeachment to President Collor could threaten the debt restructuring deal agreed in principle with banks earlier this summer. Since the scandal first broke in June, the value of Brazilian debt has dropped from 40 per cent, returning to its level at the beginning of the year.

Venezuelan debt dropped from 65 to 63⅝ per cent yesterday, while the debt of both Poland and Morocco lost more than a percentage point.

● Bondholders of Control Securities, the UK company whose former chief executive, Mr Nazmu Virani, has been charged in connection with the collapse of Bank of Credit and Commerce International, have agreed to a delay in interest payments until October 12. The delay affects two Swiss franc issues, the 7¼ bonds due 1994 and the 8¼ due 1997.

UK institutional investors warned of risks in foreign exchange

By Tracy Corrigan

THE Association of Corporate Treasurers has warned UK institutional investors of the need to assess the implications of foreign exchange management in non-financial companies.

"The risk is that the value of the firm will vary with exchange rates," according to Mr John Grout, director of treasury at Cadbury Schweppes, and Mr Derek Ross, a partner in Touche Ross, who have compiled a checklist for institutional investors.

The project was undertaken following discussions between the ACT and the Association of British Insurers and the National Association of Pension Funds.

The issue became a subject of concern among investors after Allied Lyons, the UK food and drinks group, lost £150m ($286m) in foreign exchange dealings early last year.

The guidelines highlight four main types of exposure to foreign exchange risk: strategic exposure, affecting customers or suppliers, or decisions such as plant location; pre-transactional exposure, arising before entering into a commercial contract; transactional exposure, created by purchase, sales and financing transactions; and translation exposure which arises from translation for accounting purposes from one currency to another.

The nature and degree of hedging foreign exchange risk is "a vital element of shareholder value," Mr Ross said. An investor might, for example buy shares in a UK company with large US operations expecting the company to benefit from a stronger dollar. However, if the company's exposure to the dollar was already hedged, the investor's intended strategy would be thrown off course.

However, investors should be able to get a clear idea of the company's practices "even in a short meeting with company management," according to Mr Grout and Mr Ross.

While certain types of hedging are advisable, it is hazardous to undertake translation hedging in order to protect a book-keeping item, according to Mr Ross. He believes it is only valid if a company has come up against borrowing covenants or has to protect a profits forecast.

A survey of institutional investors undertaken last year by Touche Ross showed that 63 per cent of respondents would prefer companies not to hedge translation exposures since it is likely to give results different to those expected by investors.

**Foreign Exchange Management in Non-Financial Corporations, by John Grout and Derek Ross, published by the Association of Corporate Treasurers, 12 Devereux Court, London WC2*

South-east Asia leads demand for German issue

By Tracy Corrigan

LACK of supply during the latest rally in the US Treasury market has led to a dearth of fixed rate Euro-dollar bonds trading around par.

Yesterday's $500m issue of fixed-rate Eurobonds for Kreditanstalt für Wiederaufbau provided investors with a welcome opportunity to stock up on paper which pays a coupon reflecting current interest rate levels.

INTERNATIONAL BONDS

Demand was particularly strong among investors in south-east Asia, including a number of central banks, many of which view the KFW issue as quasi-German government, although it is not explicitly guaranteed by the government.

The issue of 5¾ per cent bonds, arranged by Deutsche Bank, was considered fairly priced to yield 24 basis points more than the comparable US Treasury. The spread widened by one basis point yesterday, due to the rally in the underlying US Treasury market.

A recent $500m five-year Eurobond offering for the Inter-American Development Bank was trading at a spread of 21 basis points yesterday, having previously widened to 25 basis points from an aggressive launch spread of 18 basis points two weeks ago.

Interest in dollar bonds has been stimulated by increasingly positive sentiment on the dollar, which most investors view as cheap at current levels. Investors in the Far East in particular see shorter-dated Eurobonds as a suitable instrument for taking a view on the currency.

European investors, however, are also focusing on yield levels, and are consequently tending to buy longer-dated paper at substantially higher yields due to the very positive US yield curve. In addition, many European investors feel that if short-term US interest rates start to bottom out, the long end of the market will not suffer, because of the steepness of the the curve.

Redemption levels in US dollar bonds are heavy over the next few months – $6.6bn in August, $7.9bn in September and $6.8bn in October. While the level of reinvestment in dollar securities is likely to be high, the pattern of reinvestment is unpredictable as the majority of the paper consists of maturing ex-warrant bonds, largely held by Japanese banks.

● Barclays Bank has set up an Ecu2bn Euro medium-term note programme, arranged by Barclays de Zoete Wedd. Under the programme, deposit and medium-term notes with maturities ranging from 30 days to 30-years can be issued.

The multi-currency programme includes a D-Mark option, taking advantage of the recent lifting of Bundesbank restrictions.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
KFW Intl Finance(a)†	500	5.75	99.65	1997	25/15bp	Deutsche Bank
Societe Generale(b)‡†	210	(b)	(b)	2002	50/25bp	Kidder Peabody Intl.
DANISH KRONER						
Den Danske Bank(a)†	300	10	101.875	1997	1.875/1.25	Den Danske Bank

‡Floating rate note. †Final terms. a) Non-callable. b) Amount increased from $160m. Coupon pays ⅛ below 6-month Libor and payable semi-annually. Issue price undisclosed. Non-callable.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on August 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	108	108¼	+⅛	4.73
ALBERTA PROVINCE 9 3/8 95	600	111¼	112	+⅛	5.26
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 ¾ 94 LFr	600	94¼	95¼		10.12
COPENHAGEN TEL 8 5/8 96 LFr	600	98¼	99¼		9.17
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	101⅛	101⅝	+⅛	3.72
CREDIT FONCIER 5 1/4 94	20000	102⅛	103⅛	+⅛	4.06
DENMARK 7 95	40000	107	107⅛	+⅛	3.93
EIB 4 5/8 94	40000	102⅛	103	+⅛	2.95
ELEC DE FRANCE 5 5/8 96	20000	105	105⅛	+⅛	4.29
FINLAND 6 3/4 96	50000	107⅛	107½	+⅛	4.51
INTER AMER DEV 7 1/4 00	30000	112⅛	112⅛	+⅛	5.24
KANSAI ELEC PWR 4 5/8 94	60000	101⅛	101⅛	+⅛	3.84
NIPPON TEL & TEL 5 7/8 96	50000	104⅞	105⅛	+⅛	4.54
NORWAY 5 1/8 95	50000	102⅝	103		4.04
SNCF 6 3/4 00	30000	109⅞	110¼	+⅛	5.13
SWEDEN 5 5/8 95	20000	104	104½	+⅛	4.22
WORLD BANK 6 3/4 00	50000	110⅛	110⅝	+⅛	5.06

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]					
HILLSDOWN 4 1/2 02 £	150	3.97	121¼	122¼	
LAND SECS 6 3/4 02 £	84	6.72	77¼	78¼	+40.30
LASMO 7 3/4 05 £	90	5.64	74¼	75¼	
MITSUI BANK 2 5/8 03	200	2332.6	64	65¼	+48.93
MOUNT ISA FIN 6 1/2 97	100	2.283	100¼	101¼	+15.35
OGDEN 6 02	85	39.077	86¼	87¼	+69.33
SEGA ENTERPRISES 3 1/2 96	200	13018	92¼	93¼	+53.52
SMITH & NEPHEW 4 02 £	90	1.775	125¼	126¼	+59.65
SUMITOMO BANK 3 1/8 04	300	3606.9	63	64¼	+61.88
TEXAS INSTRUMENTS 2 3/4 02	300	82¼	95	96	+93.80
THORN EMI 5 3/4 04 £	103	7.16	120	121¼	+23.98

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	23	20	32
Other Fixed Interest	6	0	9
Commercial, Industrial	166	370	901
Financial & Property	72	185	545
Oil & Gas	10	21	55
Plantations	0	3	6
Mines	13	35	101
Others	32	34	56
Totals	322	668	1,705

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
[illegible]							

[illegible] ... and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Offered to holders of ordinary shares as a "rights". ¶ Introduction. ‡ Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ø Units comprising 1 Ord. and 1 Zero Div Pref. share. ≡ Units comprising 4 Ords and 7 Zero Div Prefs and 4 Stepped Pref. shares

LIFFE EQUITY OPTIONS

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
Alld Lyons (*597)	550	67	75	87	5	12	15
	600	30	43	56	21	30	33
[illegible]							
Utd. Biscuits (*286)	280	23	27	29	10	12	18
	300	10	17	19	20	22	26
Unilever (*940)	900	69	90	103	10	18	26
	950	34	54	69	27	37	47

Option		CALLS Aug	Nov	Feb	PUTS Aug	Nov	Feb
Brit Aero (*198)	180	23	36	49	1	17	25
	200	5	26	39	5	30	35
	220	1	18	31	23	42	47

Option		CALLS Aug	Nov	Feb	PUTS Aug	Nov	Feb
BAA (*656)	600	60	80	90	1½	8	15
	650	12	45	59	3	21	32
[illegible]							
Barclays (*300)	280	30	32	49	2½	6½	12
	300	13	28	36	8	13	21
	330	3½	14	20	32	32	38
Blue Circle (*176)	160	22	28	34	3	7½	11
	180	7	16	23	11	17	20
	194	3½	9½	-	22	26	-
British Gas (*234)	220	19	22	27	2½	8	10
	240	6	11	16	9	19	19
Dixons (*200)	200	11	21	26	8½	14	17
	220	3	12	17	22	24	28

Option		CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
Eurotunnel (*350)	330	38	59	70	7	20	26
[illegible]							

August 18 Total Contracts 21,852
Calls 11,050 Puts 10,802
FT-SE Index Calls 2,312 Puts 4,808
Euro FT-SE Calls 1,268 Puts 578
*Underlying security price. † Long dated expiry months
Premiums shown are based on closing offer prices.

TRADITIONAL OPTIONS

- First Dealings Aug. 3
- Last Dealings Aug. 14
- Last Declarations Oct. 29
- For settlement Nov. 9

also shown on this page.
Calls in Allied Leisure, Hanson warrants, Proteus Intl. and Racal Elects. Double (Put and call) in

TRADITIONAL OPTION 3-month call rates

Industrials	p		p		p		p		p
■ INDUSTRIALS		Charter Cons.	37	Ladbroke	18	Sears	6½	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	56	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonhro	12	Tesco	22	Conroy Pet	6½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	35	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	28	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	6½	■ PROPERTY		RTZ	47
Brit Aerospace	28	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	56	Land Sec.	30		
BT	25	Hanson	18	Ratners	3	MEPC	28		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		

New chief appointed at Hickson

By Peggy Hollinger

HICKSON International, the chemicals group which has been subjected to two years of management upheaval, yesterday named Mr Dennis Kerrison, former chief operating officer, as its new chief executive.

Sir Gordon Jones, who became chairman in June last year, said the appointment of Mr Kerrison left Hickson with a "very strong professional board". There would be "no more madcap schemes, and no more major acquisitions," he said, referring to Hickson's 19 purchases between 1985 and 1989.

Mr Kerrison replaces Mr Ken Schofield, who retired in May after just 18 months in the post. Mr Schofield was responsible for launching a disposal programme to refocus the group on its core chemicals businesses.

The appointment was announced as the group reported more than doubled interim profits of £16.9m, aided by lower interest charges. The pre-tax outcome compared with £7.9m last time, although this had been struck after a £6.2m exceptional charge for losses on disposals and restructuring costs.

Interest charges fell from £4.3m to £960,000, and gearing was 18.2 per cent. The ratio of debt to equity had been reduced from 134 per cent through the £70m rights issue in September last year.

Disposals depressed turnover, which fell from £214m to £162.4m for the six months to June 30. Like-for like sales rose by 3 per cent. Similarly, operating profit fell by 4 per cent to 17.7m, due to disposals.

In the first half, Hickson added a further £2m in extraordinary charges to the £9.6m taken last year, to provide for losses on disposals. The company plans to sell the two remaining floor covering operations.

The best performance came from protection and coatings, which increased profits by 12 per cent to £3.8m. "Previously, when Hickson made some of these acquisitions, the company did not manage them," said Mr Kerrison.

The main fine chemicals operation increased profits by 4 per cent to £7.5m.

Earnings per share rose from 5.57p to 7.44p. The interim dividend is maintained at 2.85p.

Trevor Humphries

Dennis Kerrison (centre) with chairman, Sir Gordon Jones (right), and Michael Rowley, finance director

● COMMENT

Sir Gordon is very aware that the City wants to be convinced about the credibility of the new management team. Until then, Hickson has little hope – or even intention – of returning to shareholders for more cash. The latest appointment will be seen as the final seal on what should be a more stable era. Meanwhile, these results show a respectable performance, albeit largely due to a rescue rights issue. In the short-term, the group sees no sign of an upturn, and further difficult trading in the US. In the longer-term, the acquisition of Angus Fine Chemicals in July will provide good growth from 1993. Annual forecasts were revised downwards following the group's cautious comments on the second half from about £35m to £31.5m. The shares fell in tandem, from 188p to 174p. On a prospective p/e of about 13 times, the shares appear to be a better investment for long-termers.

T Cowie clarifies offer for Henlys

By Maggie Urry

T COWIE, the motor trader locked in a fiercely-contested £32.3m takeover battle with rival Henlys Group, has written a four page letter to its target's shareholders following a request from the Takeover Panel to clarify five points in its latest offer document.

The clarification comes after three earlier statements from Cowie withdrawing or clarifying remarks made by it or its advisers.

The Panel asked Cowie to redraw a chart in its final offer document to ensure it was not misleading. It asked for clarification of a sentence about Henlys' "falling dividend" to show that Henlys has forecast a maintained dividend. Cowie was also asked to explain another chart which showed the share price performance of Henlys' shares relative to the motors sector.

Cowie withdrew the word "consistently" used in a press release to describe Henlys' performance against the sector. The chart showed Henlys' shares had outperformed between 1987 and 1989.

The last point concerned a series of statements made in the Cowie offer document which, if put together, could amount to a profit forecast for the current year of not less than £13.7m.

At the panel's request Cowie has now backed up this forecast with the assumptions it is based on and with letters from its auditor and merchant bank. Cowie has already reported a pre-tax profit of £12.1m for the first half of 1992. The forecast is well below the £25m pre-tax estimate analysts have for the company, which Cowie had to distance itself from.

BT to spend $1bn on global telecommunications network

By Hugo Dixon

BRITISH Telecommunications is planning to invest about $1bn (£500m) over the next ten years to build a network outside the UK to support its ambition to become the world's leading telecommunications group.

The investment project, code-named Cyclone, will start with the installation next year of four large computerised exchanges in New York, Frankfurt, London and Sydney.

These will be followed by a further 28 switching centres in main business centres worldwide.

The aim of the project is to put in place infrastructure which several different BT business units could then use to provide multinational customers with a range of voice, data and video services.

But it is not clear how the project will interface with other BT global initiatives – in particular Syncordia, a US-based subsidiary which provides sophisticated telecommunications services to multinationals, and Global Network Services, the international data networking venture.

Mr Graham Wilde, vice president of CIT Research, a UK telecommunications consultancy, said: "I am not sure even they know exactly what they are doing."

BT refused to comment on the project.

The group is understood to view Cyclone as an important step in its plan to steal a march in the international telecommunications business over rivals such as American Telephone & Telegraph of the US, the UK's Cable and Wireless, Germany's Deutsche Telekom and France Telecom.

As the telecommunications industry opens up to competition, such groups are considering similar initiatives to BT's. But their plans are mostly not as definite or advanced.

In most countries, regulations protecting national monopolies would currently prevent BT from offering the full range of services it envisages.

However, the company has decided to take the initiative by anticipating and pushing for changes in regulations.

Mr Iain Vallance, BT's chairman, has repeatedly predicted that international regulations will change in response to customer demand and advances in technology.

Mr Wilde said BT's approach was one of "shoot first and ask questions later."

● In a separate development, BT announced yesterday that it had signed a contract to provide BP Chemicals with a fully managed European network.

The network will use services supplied by both Syncordia and GNS.

11.5% growth at Micro Focus

By Alan Cane

SHARES IN Micro Focus, the computer software company, yesterday rose 90p to £15.43, boosted by reassuring first half results showing an 11.5 per cent lift in pre-tax profit.

The shares, which are also quoted on Nasdaq in the US, had been at a 12 month low of £14.53 after being as high as £23.78.

Mr Paul O'Grady, chairman, said he believed that US investors had assumed the results would be below or at the bottom end of analysts' predictions, following a series of poor results from US software houses.

In the event, the interim figures were at the top end and maintained the company's reputation for strong growth despite a tough market.

The company was now reporting its results primarily in dollars, arguing that currency fluctuations reduce increases in revenues, earnings and cash deposits when stated in sterling.

Pre-tax profits were up from $15.4m to $17.2m (£8.9m), earned on revenues 25 per cent higher at $54.4m ($43.6m).

Net income per share was 80 cents (70 cents). In keeping with US software house practice the company did not propose a dividend and Mr O'Grady said it was not considering changing.

The company specialises in software products which make it easier for other companies to write programs. Mr O'Grady said direct sales grew by 30 per cent, while sales to manufacturers such as IBM, Siemens Nixdorf and Groupe Bull for resale showed slight growth.

Micro Focus expected to be able to exploit a move among users of open or industry standard systems through a product which makes it easier to write Cobol business language programs for the Unix operating system.

Although market conditions were tough, he expected the company to maintain growth of profits and revenues in the second half of the year.

Struggling with the US market

Richard Lapper on the tough going for insurance brokers

YESTERDAY'S decision by Sedgwick to cut its dividend is evidence of just how difficult trading conditions have become for the leading international insurance brokers.

Like the other three large publicly-quoted companies – Marsh McLennan, Alexander & Alexander and Willis Corroon – Sedgwick obtains more than 40 per cent of its brokerage revenue in the US and has been badly hit by the intense competition in that market. While rates in some other insurance markets have hardened recently, the US market remains stubbornly depressed.

Sedgwick's main competitors have all struggled to increase their income.

Alexander & Alexander, which reported interim results last month, saw operating revenues dip to $668m (£350m) from $676m.

Marsh McLennan, the world's biggest broker, saw an increase in revenues from $1.4bn to $1.5bn, but this was largely explained by the inclusion of revenues from Faugere et Jutheau, the Paris-based subsidiary acquired by Marsh earlier this year. In addition Marsh also benefits from the income earned by Putnam, its investment management subsidiary.

Willis Corroon, which is tipped to report reduced pre-tax profits when it reports interim figures tomorrow, is also expected to have found the going tough in the US. All four companies have also been faced with a fall in interest rates worldwide, which has dented investment earnings, while Sedgwick and Willis, in particular, have been badly hit the fall in the weakness of the dollar. Roughly 60 per cent of Sedgwick's income is in dollars.

Analysts have been expecting the US insurance companies to begin to increase premium rates, following a period of intense competition and heavy underwriting losses.

Instead Mr Quill Healey, chief executive of Sedgwick James USA, said rates had fallen by a further 30 per cent in some cases.

Mr Healey said Sedgwick had met with 25 of the biggest insurance companies with which it places business. "Invariably each company says the other 24 companies are so very competitive and are going broke. The fact is that each company is fighting hard to maintain existing accounts and win new business. It is very very competitive," said Mr healey.

Rates on a typical property policy had fallen by between 10 and 15 per cent. Rates on contractors' policies "the sort of thing we would sell in Boise, Idaho," had fallen by 30 per cent, said Mr Healey.

He added that low interest rates in the US were partially responsible for the continued ferocity of rate competition. Falls in interest rates were increasing the value of bond portfolios, with capital gains from this source offsetting underwriting losses.

Reflex shares are left for the overwriters

By Maggie Urry

While underwriters are being forced to buy up shares left in flotations and rights issues, Butler & Briscoe, the Dublin stockbrokers, proved the value of "overwriters" when a tender offer for shares in Reflex Investments, an Irish computer company, found no response.

The term overwriters describes people who guarantee to sell shares rather than buy them. But unlike underwriters, the Reflex overwriters did not get paid a commission.

Reflex, a loss-making computer leasing group which is transforming itself into a software company, persuaded Mr Martin Anthony Kilduff to come in as chairman. Mr Kilduff has won a reputation as a computer wizard after building up Kindle, his own software group, and selling out to ACT.

Mr Kilduff bought a 5.2 per cent stake in Reflex in May, at prices of about 18p, but wanted to raise this to 29.9 per cent before he would take the chair.

Earlier this month Reflex agreed to place 780,000 new shares with him and he launched the tender offer to buy another 3.4m shares, all at 13¼p – well below the market price.

Yesterday Butler & Briscoe announced that no shareholders had taken advantage of the tender. As a result a group of shareholders which had agreed to overwrite the tender were called on to supply the stock. Reflex shares were yesterday quoted at 25p.

Cost-cuts help Quicks to £1.1m

Quicks Group, the Manchester-based vehicles and parts distributor, turned in a more than three-fold increase, from £310,000 to £1.11m, in interim pre-tax profits, writes Ian Hamilton Fazey.

Turnover for the six months to June 30 fell to £99.4m (£107.1m), but cost-cutting and moves to raise margins kept operating profits at £2.01m, only down £10,000.

The strong performance ends two years' struggle to reorganise in the recession. The company made only £58,000 pre-tax in 1991 after losing £896,000 in 1990.

It was hit by difficulties in its leasing division, from which it is disengaging.

Earnings per share rose to 4.4p (1.4p). The interim dividend is raised to 1.75p (1p), payable from earnings of 4.4p (1.4p) per share.

Enlarged Pifco shows sharp contraction to £1.17m

By Peter Pearse

PIFCO HOLDINGS, the electrical appliances group, reported pre-tax profits of £1.17m for the year to April 30.

The outcome was down on last time's £3.69m but marked the first annual result to include Russell Hobbs Tower, the kettle and cookware maker which had incurred losses of £30.6m in the 28 months up to its acquisition in April 1991.

Pifco bought RHT for £7.75m from the administrators of Polly Peck International.

Mr Michael Webber, chairman, said that by the year-end RHT "was trading close to break-even and should make a profit contribution in the coming year".

He ascribed the turnround not to "restructuring in a major way", but to a "downsizing" and a "focus on profitable sales, not volume".

As a whole, Mr Webber said, Pifco "was not chasing market share", but "new products leading to new prices is the engine of growth".

Export sales expanded from £2.9m to £7.6m and accounted for 19 per cent of the group total. He said he was looking to make "digestible" acquisitions in Europe.

The group manufactures half its own products, with the other half made by others to Pifco's specifications. Mr Webber said this gave "leverage on capital employed".

Group turnover rose 71 per cent to £40m (£23.3m), though RHT accounted for all that growth and more, said Mr Webber.

Trading profits were halved at £1.23m (£2.61m) before interest payable of £62,000, against receivable of £1.09m accrued on the pre-RHT £8.7m cash pile. At the year-end cash balances stood at £957,000.

Earnings shrank to 13.9p (32.6p) per share but the final dividend is unchanged at 4.25p for a same-again 7.75p total.

Revenue and assets ahead at Burlington

Burlington Group, an investment holding concern, reported net revenue of £41,500 for the half-year to June 30, up from £38,700.

Net assets amounted to 17.52p (17.22p) per share, against 16.87p at the December year-end.

Earnings per share emerged at 0.28p (0.26p). Directors intend to maintain the single dividend for the year at 0.5p.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.08.92: Pool purchase price £/MWh	Final Prices for Trading on 22.07.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.91	21.16	22.78
0100	17.71	17.77	17.77
0130	17.71	17.69	17.69
0200	17.71	17.69	17.69
0230	17.71	17.69	17.69
0300	17.71	17.69	17.69
0330	17.71	17.69	17.69
0400	17.71	17.69	17.69
0430	17.71	17.69	17.69
0500	17.71	17.77	17.77
0530	19.66	17.70	17.70
0600	19.66	17.70	17.70
0630	19.66	17.77	17.77
0700	20.74	21.76	23.41
0730	22.42	22.75	24.41
0800	24.03	24.93	26.66
0830	24.11	24.60	27.38
0900	26.75	27.62	28.37
0930	28.09	28.18	28.96
1000	28.11	28.22	29.99
1030	28.11	28.22	29.95
1100	28.12	28.19	29.89
1130	28.18	28.22	29.92
1200	28.22	28.24	29.96
1230	28.19	28.23	29.93
1300	28.13	28.18	29.86
1330	28.05	28.08	29.78
1400	26.73	27.56	29.22
1430	26.73	25.09	27.29
1500	26.73	25.69	27.29
1530	25.60	25.69	27.30
1600	25.81	28.04	29.72
1630	28.06	28.10	29.78
1700	28.07	28.12	29.81
1730	28.05	28.10	29.77
1800	28.03	28.04	29.72
1830	24.03	25.58	27.21
1900	24.03	26.20	26.84
1930	23.64	25.03	26.68
2000	22.00	24.54	26.20
2030	22.00	22.91	24.52
2100	26.46	22.91	24.52
2130	26.46	27.98	29.70
2200	26.48	28.00	29.70
2230	26.46	28.00	29.71
2300	23.64	27.98	28.71
2330	22.97	22.91	24.54
2400	20.74	21.76	23.37

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 9:30am and 5.15pm Monday to Friday.

NGC Settlements Limited 1992

Baillie Gifford appointed at Pacific Horizon Trust

By Philip Coggan, Personal Finance Editor

BAILLIE GIFFORD is now the investment manager of Pacific Horizon Investment Trust, after the trust's shareholders overwhelmingly supported the board at two extraordinary meetings yesterday.

Victory for the board became certain on Monday when Jupiter Tyndall, the former manager, withdrew its proposals to reorganise the trust.

Jupiter Tyndall did not propose its own resolutions yesterday.

Nevertheless, Mr Garnet Harrison, chairman of Pacific Horizon, went to the trouble of proposing the Jupiter Tyndall motions himself – and then voting against them.

The resolutions were accordingly defeated overwhelmingly, with proxy votes of about 23.2m shares backing the board, and less than 200,000 supporting Jupiter Tyndall.

The proposal to install Baillie Gifford as manager was opposed by only 0.004 per cent of shareholders.

Baillie Gifford plans to widen the trust's portfolio to cover markets such as Hong Kong, Singapore, Malaysia and Thailand.

Mr Harrison said it was a pity that Jupiter Tyndall had not withdrawn its proposals at an earlier stage.

But he added: "We are delighted that shareholders have supported the board's proposals in such a conclusive way and that the long period of uncertainty has come to an end."

However, there are still some questions about the future of the trust. Jupiter Tyndall amassed a substantial stake in the process of blocking a bid by Martin Currie Pacific, and may yet agree to sell its holding to a predator.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
City Centre Rest	int	0.45	Oct 12	0.45	-	1.46
CSC Inv Trust	int	1.5	Sept 25	2	-	5
Flem Mercantile	int	1.675	Nov 1	1.6	-	6.7
Hickson Intl	int	2.85†	Nov 16	2.85	-	8
Pifco	fin	4.25	Oct 1	4.25	7.75	7.75
Quicks	int	1.75	Oct 28	1	-	3
Sedgwick	int	3	Oct 23	4	-‡	12

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Final of not less than 3p forecast.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- BPP, Bredero Properties, Britannic Assurance, Dunedin Income Growth Inv Trust, Fleming High Income Inv Trust, Ingham, Marley, Rosebys, Victaulic.
Finals- de Morgan, Hambros Currency Fund, Joe, McKey Securities.

FUTURE DATES

Interims-	
Abbott Mead Vickers	Sep. 16
Anglian Water	Nov. 10
Beattie (James)	Sep. 10
Bowater	Sep. 2
Bowthorpe	Oct. 2
Bunzl	Sep. 2
Caird	Sep. 9
Fidelity Accumulating	Aug. 25
Fidelity Distributing	Aug. 25
Fife Indmar	Aug. 25
Firth (G.M.)	Aug. 27
Gowrings	Aug. 25
Headlam Book Publishing	Sep. 24
Higgs & Hill	Oct. 6
Independent Newspapers	Aug. 20
Kenwy	Sep. 7
Jeyes	Sep. 15
Kynoch	Aug. 26
LWT	Sep. 7
Ladbroke	Sep. 10
London Finance & Inv	Sep. 3
Mersey Docks & Harbour	Aug. 21
Minerals Oils & Res	Aug. 25
Morgan Crucible	Sep. 7
Portals	Sep. 14
Reckitt & Colman	Sep. 8
Savoy Hotel	Sep. 3
Sharpe & Fisher	Sep. 9
USDC Inv Trust	Sep. 14
Viral	Sep. 14
Wales City of London	Aug. 20
Wilson (Connolly)	Aug. 25
	Sep. 9
Finals-	
Applied Holographics	Aug. 20
Consolidated Plantations	Sep. 2
Coronation Syndicate	Sep. 10
County Smaller Co's Inv	Aug. 27
Dowding & Mills	Sep. 17
EFT	Aug. 20
Industrial Control	Sep. 2
Northamber	Aug. 21
River & Merc Smaller Cos	Aug. 26
Sime Darby	Sep. 5

NEWS DIGEST

City Centre advances to £4.32m

ALTHOUGH turnover improved 11 per cent and operating profit advanced 26 per cent in the first half of 1992, directors of City Centre Restaurants stressed that the comparable period was affected by non-recurring items.

However, operating outcome was some 5 per cent below that made in the first half of 1990.

Sales were £42.1m (£37.9m) and operating profit £4.06m (£3.22m). After interest receivable £257,00 (£33,000) and property disposals £4,000 (debit £34,000), the pre-tax profit was £4.32m (£3.22m).

Earnings per share were 1.57p (1.17p) and the interim dividend is held at 0.45p.

Chairman's pay soars at Scot Hydro

Sir Michael Joughin, chairman of Scottish Hydro-Electric, received salary and benefits of £126,000 in the year ended March, up from £50,000 the previous year. He also received in the latest year a £5,000 performance bonus relating to fiscal 1991 but no bonus the year before.

United Forgemasters management buy-out

Wheway, the West Midlands-based engineering group, and Chillington, the conglomerate which was formerly a plantation company, have respectively sold United Forgemasters and Thomas Smith, both forging companies, to Woodcote Industries, a new group, for a total of £2m.

Woodcote is a management buy-out company set up by the senior management of United Forgemasters led by Mr Jim Mundell. Woodcote paid £1.5m for United Forgemasters and £500,000 for Smith.

Oliver Resources losses reduced

Oliver Resources, the Dublin-based oil and gas company which has a USM quote, reported reduced pre-tax losses of I£100,000 (£94,000) for the six months to April 30 compared with a deficit of I£272,000 previously. Included in the loss were interest payments of I£19,000 (nil) and a I£37,000 (I£47,000) share of losses of associated companies.

Losses per share were cut to 0.1p (0.3p).

CSC net assets fall and interim cut

CSC Investment Trust reported a net asset value of 112.47p per share as at June 30, down from 114.45p a year earlier.

Net revenue for the six months to end-June amounted to £30,139 (£24,244), equal to earnings of 1.83p (1.47p) per share. The interim dividend, however, is reduced by 0.5p to 1.5p.

Fleming Mercantile asset value declines

In the six months to July 31, net asset value of Fleming Mercantile Investment Trust fell by 8.8 per cent to 246p, compared to a decline of 11.7 per cent in the FT-A World Index.

The managers said it was a difficult period for emerging growth companies in the UK and overseas.

Gross revenue for the half year fell from £9.13m to £7.33m and earnings per share declined from 3.85p to 2.58p.

The second quarterly dividend is 1.675p to make 3.35p (3.2p) to date; the year's total is forecast to stay at 6.7p.

IVS sells Sheffield Cable for £1.9m

General Cable, a wholly-owned subsidiary of Compagnie Générale des Eaux, has bought IVS Cable Holdings' 87.5 per cent stake in Sheffield Cable Media for £1.9m cash.

IVS is 49.5 per cent owned by Flextech, the USM-quoted company which sold its original oil services business in May to develop its satellite and cable television interests which are largely controlled by IVS.

Sheffield Cable was awarded the 210,000 home cable franchise for the city in 1990. IVS became its majority shareholder in 1991 following the merger of Flextech's cable interests with those of IVS.

Following the disposal of Sheffield Cable, IVS retains several smaller cable franchise interests – including Andover, Salisbury and Jersey – totalling 216,000 homes.

Brabant Resources £205,000 in the red

Brabant Resources, the USM-quoted oil and gas company, suffered pre-tax losses of £205,000 for the half year to June 30, against profits of £33,000.

The company also announced the acquisition of a package of producing assets from Monument Oil and Gas for about £2.53m cash, payable in two instalments.

Turnover declined to £1.23m (£1.33m) and there were operating losses of £407,000 (£111,000) because of problems with the Claymore Field compressors, which Mr Nigel Swiffen, chairman, said had now been solved.

The pre-tax result was after net interest received of £202,000 (£325,000). Losses per share emerged at 1.2p (0.2p earnings).

Rathbone Brothers £1.67m acquisition

Rathbone Brothers has now acquired Laclan Associates for a consideration of 846,029 ordinary shares, valuing the deal at £1.67m.

Laclan's business comprises the introduction and management of private client investment business.

In the first half of 1992 it made profits of £23,000, and its net assets were £17,000.

GT Chile Fund assets growth

Over the six months to June 30 net asset value of the GT Chile Growth Fund increased 32 per cent to $30.79 (£16.10). A year earlier it stood at $19.12.

The half year produced gross income of $7.97m ($8.3m) and earnings per share of 44 cents (60 cents).

Grim outlook from William Bedford

Shares of William Bedford, the USM-traded antique restorer and dealer, yesterday fell 3p to 15p after Mr John Bedford, chairman, issued a strong warning on future trading.

If the government's deflationary policies continued unchanged and sterling remained substantially overvalued against the dollar, then the outlook was "grim", he said in his interim statement to June 30.

In the opening six months sales rose 12 per cent to £914,000 and losses before tax were reduced from £76,000 to £22,000, after overheads were cut by nearly 15 per cent. The figures last time included £113,000 gain on sale of assets, less £85,000 compensation for loss of office.

Losses per share came to 0.5p (1.07p).

Receivers in at Danbury Group

Danbury Group, the USM-quoted property developer whose shares were suspended last week pending clarification of its financial position, has gone into administrative receivership. The group has debts estimated to be in excess of £7m and for the year to March 31 1991 ran up a pre-tax loss of £5.77m.

CGS denies report on Hoskyns' buy

Cap Gemini Sogeti, the computing services group, yesterday denied a report in a London newspaper which alleged the company's purchase of the remaining shares in Hoskyns Group, the UK-based computer company, was under review.

CGS bought 69.5 per cent of Hoskyns from GEC/Siemens in 1990 and said it would offer to buy the remaining shares in 1993.

Mr Michel Jalabert, CGS president, said the company had "every intention" of honouring its earlier commitment. In a statement, he said Hoskyns' shareholders will be offered "not less than 469p per share".

Hoskyns' shares closed up 1p at 439p.

Mr Jalabert said the offer would be made within three months after Hoskyns releases preliminary results, due in mid-December.

COMMODITIES AND AGRICULTURE

Canada halts Russian grain shipments

By Bernard Simon in Toronto

THE CANADIAN Wheat Board has halted shipments of grain to Russia until it receives satisfactory proposals from Moscow for payment of overdue principal and interest on a C$1.5bn (£650m) line of credit.

Russia is the second biggest market for Canadian grain, with shipments so far this season totalling 4.34m tonnes, including 2.9m tonnes of wheat.

A wheat board official expressed optimism yesterday that the suspension of exports will be "very temporary", but said that shipments were being halted with immediate effect. Nine vessels are either waiting at various Canadian ports to load grain for Russia, or are expected later this week.

The official said that payments on the line of credit, which was signed during a visit by president Boris Yeltsin to Ottawa last February, had fallen off "significantly" in recent months. According to local reports, the arrears are now well over C$100m.

Canada and Russia signed the latest in a series of long-term grain agreements at the end of January. It provides for the purchase of 25m tonnes of wheat and barley between February 1992 and January 1997.

Grain shipments were disrupted earlier this summer because of the Russians inability to pay shipping costs. Since June, the wheat board has been arranging shipments to Russia on a partial cif (cost, insurance and freight) basis, instead of the traditional fob (free on board).

Poland plans to buy 500,000 tonnes of wheat on world markets to restore strategic reserves, a government official said yesterday, reports Reuter from Warsaw. Last week Mr Janusz Bylinski, the deputy agriculture minister, said Poland would have to buy up to 2m tonnes of grain before the next harvest to make up for a forecast 25 per cent fall in the domestic crop due to drought.

Farm minister warns of 'scissors crisis'

By Leyla Boulton in Moscow

MR VIKTOR Khlystun, Russia's agriculture minister, said yesterday that a "scissors crisis" of high industrial prices and low farm prices which accounted for peasants withholding grain could only be dealt with through continued subsidies and anti-monopoly measures which had not yet materialised.

He said the government had tried to hold back farm prices but industrial managers, starting with producers of industrial raw materials, had been responsible for exorbitant increases that made agricultural machinery and other industrial goods inaccessible for farmers at current prices.

The minister said that the only tangible result of market-reforms so far had been a change in people's attitudes. There could be no question for now of cutting back government subsidies to loss-making farms as initially planned since "everybody was losing money" as a result of the high prices for agricultural machinery and other industrial goods. Reforms, he said, would take at least 5 to 6 years to show significant results. A significant obstacle remained continuing restrictions on the free sale and purchase of land, which prevented banks from holding land as collateral to finance improvements to it.

He announced that he had obtained an alteration in Russia's privatisation programme designed to prevent monopolists resurfacing in food-processing as they had done in manufacturing industry. This gave 40 per cent of shares in privatised enterprises to employees, and allocated the rest to enterprises which supplied inputs to it. It was not clear however how this would prevent them from acting in a monopolistic fashion.

Declining to give new estimates for how much imported grain would be required, he said imports would remain essential as long as Russia preserved its extremely wasteful system of using unusually high amounts of grain for animal feed because of an absence of suitable additives.

He said the livestock and dairy situation was particularly worrying, and had been dealt a fresh blow from a recent increase in state grain procurement prices. The number of chickens was down 19 per cent, cows down 2 per cent on last year's level, while the overall production of meat had fallen 12 per cent.

Copper price surges as funds change tactics

By Kenneth Gooding, Mining Correspondent

THE COPPER market burst into life when prices rose very strongly in New York and London after investment funds, which had been attempting to push the price down, changed tactics, dealers suggested yesterday.

The funds' selling strategy was unsuccessful because it stimulated buying by North American consumers and China, said Mr Ted Arnold, analyst at Merrill Lynch. "Consumers see copper as a 'buy' when it is below $1.10 a lb," he said. Also, merchants say the Chinese are looking for up to 200,000 tonnes of copper in the next six to nine months. "Copper at $1.05 a lb is seen as a bargain basement price by the Chinese."

Ms Karen Norton, analyst at Billiton-Enthoven Metals, pointed out that the copper market was fundamentally well-balanced and there was likely to be a supply deficit of 70,000 tonnes this year compared with a surplus of 112,000 tonnes in 1991.

Copper's three-month price touched $2,563 a tonne on the London Metal Exchange yesterday before closing at $2,556 ($1.16 a lb) up $57 from Monday's kerb close. Mr William Adams, analyst at Rudolf Wolff, said: "We are looking for it to move to $2,575. If it goes through there the upside target is $2,635."

● Some 8 to 9 cents a lb will be added to the cost of about 347,000 tonnes of annual aluminium production capacity on the US west coast because of power restrictions to be imposed for four months from September by the Bonneville Power Administration, according to Mr Tom Van Leeuwen, analyst at Lehman Brothers in New York.

He said a maximum of 30,000 tonnes of annual capacity might be temporarily shut down but, after talking to producers, he believed none would make a decision before the end of this year when they would know if the drought conditions – which are causing a 25 per cent cut in BPA power supplies – continued.

Meanwhile, smelters would buy power from other sources at a cost roughly double that of their contracts with BPA.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+11,150	to 1,325,575
Copper	+7,075	to 258,425
Lead	−25	to 150,600
Nickel	+1,188	to 42,156
Zinc	+750	to 345,875
Tin	−135	to 14,500

Indian silk industry aims to boost export appeal

The second biggest producer has to import fibre to meet overseas demand, writes Kunal Bose

INDIAN EARNINGS from silk goods exports rose by nearly 55 per cent to Rs6.76bn (£125m) during the year to March 1992, but the industry and the federal government remain dissatisfied with the industry's position as a minor player in the world market.

Although it is the second largest producer of silk after China it has only about a 6 per cent share of world trade in the commodity and mostly exports low value silk goods.

The Indian government is thinking of linking up with China in an effort to correct the technological deficiencies of its silk sector. According to Mr S. Shah, president of Silk Association of India, the modernisation programme will have to cover every aspect of sericulture (silk-worm breeding) and silk processing.

India aims to produce 14,465 tonnes of silk in 1992-93 but it will be depending almost totally on imports of raw fibre, mainly from China, for the production of silk goods for the export market.

Indian silk has good lustre, but because of the lack of strength and unevenness of the yarn it cannot compete with the China's strong, wash-proof fibre.

Indian processors are allowed to import raw silk against export and value addition commitments ranging from 75 per cent to 150 per cent.

According to industry representatives, Indian silk production will get a boost both in terms of quantity and quality provided the Rs5.5bn national sericulture project funded by the World Bank and the Swiss Development Corporation is implemented faithfully. Under this project, sericulture is being introduced in many non-traditional areas. Indian productivity of 37 kg of raw mulberry silk a hectare is woefully low, experts say, and they believe it can easily be doubled.

For a long time to come, however, Indian exports of silk goods will have to depend on import of raw fibre. Besides the poor quality of indigenous silk, the domestic market for silk goods is large enough not to leave any surplus for export. Following a 26 per cent devaluation in the Indian currency, the export target of Rs10bn by 1994-95 appears easily achievable. But Mr Shah says a breakthrough in exporting will have to await a switch from manual to machine spinning, weaving, dyeing and finishing.

The Indo-German Export Promotion Project has observed that if India is to have a bigger share of the German silk market than 6 per cent it must introduce modern weaving, dyeing and finishing techniques. Germany is the second biggest market for Indian silk goods after the US. The other big buyers of Indian silk goods are the UK, Italy, Spain and France.

Forestry policy 'needs overhaul'

By David Blackwell

UK GOVERNMENT policy on forestry needs completely overhauling, according to a survey by Timber Growers United Kingdom, which represents private woodland owners.

The survey of 341 forest owners with 65,000 hectares (160,000 acres) found "vacillating" was the most common criticism in an overwhelmingly negative view of the government measures of the past 20 years.

Mr Peter Wilson, technical director of TGUK, said that since the 1988 budget changed the tax rules on forestry, traditional commercial planting had dropped to less than 40 per cent of the 1989 level at less than 10,000 hectares.

He called for a properly thought out forestry strategy and an end to *ad hoc* measures. "Too many mistakes have been made in the past by government imposing solutions that have not worked. This time we must get it right."

The TGUK survey shows that 75 per cent of forestry owners considered their business was not benefitting from any economic upturn and only 13 per cent intended to invest more in the industry.

Bolivian antimony and wolfram in crisis

By Chris Philipsborn in La Paz

THE BOLIVIAN antimony and wolfram industries are in a state of crisis following saturation of their markets in North America and Europe.

Up to 3,000 workers in wolfram production, which is 'under the most immediate strain, are set to lose their jobs unless a rescue package can be arranged. Mr Rolando Jordan, general secretary of the Medium Mines Association, an umbrella organisation for private mining concerns in Bolivia, blames the situation on the aggressive dumping of these semi-processed metals by China at rock-bottom prices on the international market since March this year.

"This sophisticated dumping by China has hurt us very badly and has effectively closed the market for such metals", he says.

A Bolivian delegation is currently lobbying both North America and the European Community to extend anti-dumping measures against products containing Chinese metals. In the meantime four or five of the Medium Mines Association's 22 companies could cease to be members by the year's end according to Mr Jordan.

As far as the immediate situation is concerned, Bolivian mining minister Alvaro Rojas says he is "analysing the possibilities of finding financing which would maintain wolfram production and thus avoid closures". One estimate puts the sum needed at about $3.5m.

As Comibol, the state mining corporation, no longer produces wolfram, the sectors hit hardest by the present collapse in the market will be the small and medium mines and co-operatives.

Total wolfram production last year was 1,264 tonnes, worth some $6.7m. This figure was up slightly from 1990 but down from 3,195 tonnes produced in 1982, then worth about $33.9m.

Antimony production last year was 9,107 tonnes worth $13.9m, again up on 1990 but down from 13,612 tonnes in 1982, then worth $24.4m.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,720-1,750 (1,720-1,745).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.60 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.65-0.85 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 19.50-21.00 (20.50-22.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 135-150 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.33-2.38 (2.35-2.40).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 53-62 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.00-2.15 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.75 (same).

Cocooned market under threat

Japanese import restrictions may have to go

A CENTURY ago, the humble silkworm led Japan on its march to becoming an economic superpower. Silk farmers have since been protected by import restrictions and soaring subsidies.

But they are now wondering how much longer they can survive, reports Reuter from Tokyo. Their numbers are declining as finished goods flood in from China and South Korea, while the Uruguay Round of trade talks is opposed to continued protection of Japanese farm goods.

A recent study by the Ministry of Agriculture, Forestries and Fisheries found that the number of cocoon growers had dropped from 248,000 to 44,000 in the 16 years to 1991. Japan's raw silk production was down from 236,000 bales (60 kg each) in 1981 to 90,000 bales last year and over the same period cocoon output fell from 65,000 tonnes to 21,000 tonnes, the study showed.

But ministry officials remain defiant. "Perhaps we cannot stop the drop in silk farmers, but our job is to protect the regional economies and the people who can grow only cocoons," said one.

"As long as the kimono exists as our national dress, we can expect strong demand for Japanese silk and people will realise the quality of Japanese silk," he added.

Japanese silk is longer-fibred and stronger than foreign silk, making it suitable for the kimono, the traditional long gown now used mainly for weddings and ceremonial occasions.

But economics seem to contradict the ministry view. On July 29, August silk contracts on the Yokohama futures market fell to Y10,400 (£43) a kilogram, the lowest since December 1987, despite the fact that domestic demand for silk had steadily risen to 310,700 bales in 1991, equal to 30 per cent of the world market.

Mr Iwao Iwamoto, an industry analyst at Commodity Market Research Institute Company, said the time had come for the government to abandon its import monopoly.

In 1952, Japan introduced its silk price stabilising system under which the ministry decides on a price high and low every year as a standard on which to base market intervention. Since 1974 only the semi-government Silk Agency has been allowed to import raw silk and dried cocoons.

From 1952 to 1987, Japan spent millions of yen a year to keep domestic prices high. The precise figure has not been published.

In 1987, the Silk Agency had a cumulative deficit of Y120bn from its market operations.

Since 1987 and the rise of the yen, the lucrative Japanese market has been flooded with foreign silk goods, such as thread, textiles and secondary products, mainly from China and South Korea.

"Japanese weavers have to pay twice as much as international prices for raw silk, so it is impossible for them to compete in the market," said Mr Iwamoto. "They really suffer, since they receive neither protection nor subsidies."

Cocoon farmers and raw silk producers are bitterly opposed to liberalisation of the domestic market. "As soon as we open our silk market, prices will drop to the the international price of Y7,800 per kilogram," said an official of the Japan Silk Manufacturers Association. The current price for domestic silk is about Y10,700 a kilogram.

But pressure for liberalisation is building up from the international community. If General Agreement on Tariffs and Trade proposals to turn protection for farm goods into tariffs are accepted, silk and cocoons are likely to be the next target for attack on Japan.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD eased to $336.15 a troy ounce on the London bullion market while **PLATINUM** cut earlier losses after Nymex futures edged off early lows. "*Gold seems to be in real limbo* at the moment. I wouldn't be surprised to see a range between $330 and $340 for some time," one dealer said. Platinum opened around $4 below Tuesday's close at $343 to $344 after a sharp fall in the Nikkei share index overnight increased fears of falling demand from Japan, the world's largest platinum importer. A report from South Africa's Impala that world consumption would slightly exceed production in 1992 for the second successive year failed to boost prices. London **COFFEE** and **COCOA** both reversed the morning's weaker trends as their New York *counterparts discovered good* trade buying where further long speculator liquidation had been expected. However traders did not think the afternoon's rallies marked the start of concrete recoveries; more fundamental support was needed before either could be said to have turned the corner. In Chicago **WHEAT** came under pressure early on from the news that Canada had suspended grain shipments to Russia.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.90-7.95y	+0.05
Brent Blend (dated)	$19.85-9.95	-.025
Brent Blend (Oct)	$20.00-0.05	
W.T.I (1 pm est)	$21.30-2.35y	+0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$217-219	
Gas Oil	$177-179	-1
Heavy Fuel Oil	$85-89	+2
Naphtha	$192-193	
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$336.15	-1.15
Silver (per troy oz)♣	380.5c	
Platinum (per troy oz)	$343.25	-4.5
Palladium (per troy oz)	$82.50	+0.15
Copper (US Producer)	119.00c	
Lead (US Producer)	40.0c	
Tin (Kuala Lumpur market)	16.82r	+0.17
Tin (New York)	313.0c	+0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.14p	-0.25*
Sheep (live weight)†♠	73.64p	+0.74*
Pigs (live weight)†	80.52p	+0.07
London daily sugar (raw)	$261.0w	
London daily sugar (white)	$286.5w	-1.5
Tate and Lyle export price	£244.0	-2.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq	
Rubber (Sep)♥	50.50p	-1
Rubber (Oct)♥	50.50p	-1
Rubber (KL RSS No 1 Jul)	220.5r	
Coconut oil (Philippines)§	$502.5t	+10
Palm Oil (Malaysian)§	$360.0y	+2.5
Copra (Philippines)§	$322.5	
Soyabeans (US)	£135.0	
Cotton "A" index	59.10c	+0.05
Wooltops (64s Super)	372p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Sep/Oct w-Aug/Sep y-Sep z-Oct/Dec. . †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	211.00	212.40	212.40	212.00
Dec	208.00	208.00	203.20	203.00
Mar	201.60	201.60	201.00	
White	**Close**	**Previous**	**High/Low**	
Oct	284.00	286.00	285.50	283.00
Dec	259.50	261.00	259.00	
Mar	262.50	264.00	263.00	262.00
May	266.50	266.20	268.00	266.00
Aug	271.30		271.00	270.00
Oct	261.00		262.10	260.20
Dec	260.50		262.00	261.00

Turnover: Raw 49 (231) lots of 50 tonnes. White 405 (816) Paris- White (FFr per tonne): Oct 1308.01 Dec 1305.72

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Oct	20.08	20.05	20.13	19.99
Nov	20.06	20.02	20.11	20.00
Dec	20.01	19.88	20.06	19.93
Jan	19.89	19.86	19.93	19.88
Feb	19.79	19.72	19.81	19.75
Mar	19.66	19.62	19.70	19.66
Jun	19.43		19.43	
IPE Index	20.00	20.02	20.00	

Turnover 11726 (14474)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Sep	181.50	182.25	183.50	181.25
Oct	185.75	188.25	187.00	185.50
Nov	188.00	188.25	189.25	187.50
Dec	189.75	190.25	191.25	189.25
Jan	189.50	189.50	191.00	189.50
Feb	186.75	186.00	187.50	
Mar	182.00	182.25	184.25	182.00
Apr	179.75	179.50	181.25	179.75
May	178.25	178.25	179.00	178.25

Turnover 10656 (11093) lots of 100 tonnes

JUTE
C and F Dundee: BTC US$390, BWC US$425 BTD US$350, BWD US$350. C and F Antwerp: BTC US$375, BWC US$ 375, BTD US$350, BWD US$350.

COTTON
LIVERPOOL- There was no spot or shipment sales reported for the previous week ended 14 August, compared with 100 tonnes in the previous week. Activity was severely restrained and business was on narrow lines. High cost of raw cotton deterred users from increasing their purchases.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Sep	606	600	610	589
Dec	636	629	642	619
Mar	669	658	671	649
May	686	676	688	668
Jul	707	694	694	685
Dec	726		725	705
Sep	754	713	752	731
Mar	780	741	767	760
May	800	769	786	783

Turnover: 9825 (4067) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 14 795.95 (778.07) 10 day average for Aug 17 800.89 (800.40)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Sep	711	709	729	697
Nov	734	729	748	715
Jan	742	744	759	730
Mar	765	755	768	745
May	778	770	782	
Jul	795	784	777	

Turnover:3987 (2205) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 14: Comp. daily 44.05 (44.98) 15 day average 46.40 (46.59)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	63.0	61.5	63.0	61.0

Turnover 59 (110) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Oct	118.00	118.50	

Turnover 0 (0) lots of 20 tonnes

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Aug	1084	1090	1084	1080
Sep	1135	1135	1135	
Oct	1210	1215	1220	1210
Jan	1244	1251	1250	1240
Oct	1300	1130	1300	
BFI	1075	1070	1075	

Turnover 109 (104)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Sep	113.30	112.80	113.50	113.30
Nov	115.60	115.60	115.80	115.60
Jan	119.50	119.40	119.55	119.40
Mar	122.60	122.40	122.65	122.60
May	125.60	125.45	125.60	
Barley	**Close**	**Previous**	**High/Low**	
Sep	109.50	109.40	109.60	109.50
Nov	112.85	112.70	112.85	
Jan	116.60	116.50	116.75	116.60
Mar	119.60	119.40	119.60	
May	121.60	121.60	121.60	

Turnover: Wheat 112 (115), Barley 47 (101).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Aug	106.0	105.0	105.0	
Nov	105.5	104.5	105.0	104.5

Turnover:5 (11) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 38932 lots
Cash	1298-99	1297-98		1300-0.5		
3 months	1322-22.5	1320-20.5	1326/1322	1323.75	1323-24	190238
Copper, Grade A (£ per tonne)						Total daily turnover 41,516 lots
Cash	1322.5-23.5	1288.5-89.5	1324.5/1324	1324-24.5		
3 months	1344.5-45	1313.5-14	1348.5/1344	1346-46.5	1347.5-48	148,835 lots
Lead (£ per tonne)						Total daily turnover 4,730 lots
Cash	331-32	327.5-28.5	330	329-30		
3 months	342-43	338-8.5	342/341	340-41	342-343	29,865 lots
Nickel ($ per tonne)						Total daily turnover 5,468 lots
Cash	7210-20	7220-30		7205-07		
3 months	7285-300	7300-05	7310/7275	7280-85	7290-95	24,961 lots
Tin ($ per tonne)						Total daily turnover 2,817 lots
Cash	6760-70	6720-30	6765	6760-65		
3 months	6785-90	6760-65	6800/6785	6790-800	6785-90	12,552 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 13,882 lots
Cash	1360-62	1348-49	1358/1357	1356-57		
3 months	1336-37	1330-31	1345/1335	1337-37.5	1344-45	66,467 lots

LME Closing £/$ rate: SPOT: 1.9294 3 months: 1.8982 6 months: 1.8676 9 months: 1.8390

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	336.00-336.30	
Opening	335.50-335.90	
Morning fix	336.55	174.405
Afternoon fix	336.10	174.136
Day's high	336.60-336.90	
Day's low	335.20-335.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.58	6 months	2.60
2 months	2.57	12 months	2.71
3 months	2.56		

Silver fix	p/troy oz	US cts equiv
Spot	196.25	377.00
3 months	201.15	381.95
6 months	206.30	385.25
12 months	216.70	393.05

GOLD COINS

	$ price	£ equivalent
Krugerrand	335.00-337.00	175.00-177.00
Maple leaf	345.55-347.80	-
New Sovereign	80.00-82.00	42.00-44.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1300	16	51	10	22
1350	3	26	44	47
1400	3	11	93	81
Copper (Grade A)	**Calls**		**Puts**	
2500	64	91	6	47
2550	29	65	20	70
2600	10	44	51	98
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
650	61	19		6
700	13	53	2	19
750		27	39	43
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
600	10	58	3	20
625	1	43	19	30
650		31	43	45
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
1950	35		15	30
2000	18		29	
2050	8	33		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	335.8	336.9	336.0	335.4
Sep	336.0	337.1	0	0
Oct	337.1	338.2	337.6	336.3
Dec	338.7	339.9	339.3	337.6
Feb	340.4	341.6	340.9	340.0
Apr	342.0	343.2	341.9	341.4
Jun	343.7	344.9	343.2	343.2
Aug	345.5	346.8	345.6	345.3
Oct	347.4	348.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	343.3	347.1	344.3	341.0
Jan	341.8	345.8	342.5	340.0
Apr	342.8	346.4	342.0	341.0
Jul	343.6	347.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	377.1	378.0	374.5	374.5
Sep	377.7	378.7	379.0	375.0
Oct	379.6	380.6	0	0
Dec	381.3	382.3	383.0	379.0
Jan	382.8	383.8	0	0
Mar	385.2	386.2	385.5	383.0
May	387.8	388.9	0	0
Jul	390.2	391.4	0	0
Sep	393.1	394.4	0	0
Dec	397.5	398.8	397.5	398.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	114.60	115.20	115.70	114.60
Sep	114.90	115.40	116.20	114.65
Oct	115.05	115.40	116.50	115.60
Nov	115.20	115.40	0	0
Dec	115.35	115.40	116.40	115.00
Jan	115.00	115.00	0	0
Feb	114.40	114.40	0	0
Mar	114.05	114.00	114.80	113.80
Apr	113.05	113.05	0	0
May	112.55	112.80	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.41	9.53	9.53	9.40
Mar	9.08	9.13	9.14	9.06
May	9.02	9.10	9.13	9.02
Jul	9.01	9.09	9.04	8.99
Oct	8.92	8.97	8.94	8.88

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	21.51	21.45	21.51	21.39
Oct	21.36	21.35	21.41	21.28
Nov	21.31	21.28	21.32	21.20
Dec	21.22	21.20	21.23	21.12
Jan	21.13	21.11	21.13	21.05
Feb	21.03	21.02	21.04	20.98
Mar	20.87	20.92	20.87	20.87
Apr	20.82	20.82	20.84	20.82
May	20.70	20.72	20.70	20.70
Jun	20.62	20.62	20.65	20.65

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	59.25	59.35	59.60	58.75
Oct	60.25	60.39	60.65	59.80
Nov	61.35	61.52	61.60	61.00
Dec	62.50	62.62	62.70	62.10
Jan	62.90	63.05	63.10	62.60
Feb	62.10	62.15	62.30	61.95
Mar	60.05	60.10	60.20	59.95
Apr	58.15	58.20	58.30	58.15
May	57.00	56.85	0	0
Jun	56.00	56.00	56.00	56.00

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1050	991	1064	979
Dec	1103	1049	1104	1038
Mar	1152	1100	1155	1094
May	1187	1132	1190	1132
Jul	1218	1163	1210	1210
Sep	1248	1193	0	0
Dec	1283	1228	0	0
Mar	1319	1264	0	0
May	1347	1292	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	50.15	48.25	50.40	48.40
Dec	53.20	51.10	53.30	51.30
Mar	56.00	53.70	56.10	54.00
May	60.05	57.90	60.05	58.00
Jul	62.40	60.25	61.50	60.30
Sep	64.20	62.35	64.00	62.75
Dec	67.50	66.00	66.50	66.45

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	60.36	59.96	60.55	60.02
Dec	57.86	57.57	58.00	57.48
Mar	58.93	58.57	59.00	58.65
May	59.48	59.05	59.65	59.12
Jul	59.85	59.45	60.05	59.85
Oct	61.05	60.73	0	0
Dec	61.03	60.86	61.05	60.85

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	113.50	112.45	113.95	112.25
Nov	109.70	108.75	110.35	108.60
Jan	108.80	108.05	109.60	108.10
Mar	108.65	107.90	109.50	108.10
May	109.25	108.35	0	0
Jul	108.75	107.85	0	0
Sep	108.75	107.85	0	0
Nov	108.75	107.85	108.00	108.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug.18	Aug.17	mnth ago	yr ago
1624.5	1625.7	1559.8	1643.9

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug.17	Aug.14	mnth ago	yr ago
Spot	115.84	115.95	116.04	116.76
Futures	115.55	114.86	115.97	120.02

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	550/2	554/6	553/4	546/4
Sep	548/0	553/2	550/0	544/4
Nov	542/2	548/4	545/0	539/0
Jan	549/4	556/0	551/4	546/0
Mar	557/4	563/4	559/2	553/0
May	563/2	570/4	565/0	559/4
Jul	569/2	576/2	572/0	566/0
Aug	567/4	576/0	572/4	566/0
Nov	569/4	577/6	575/0	568/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	18.47	18.65	18.48	18.31
Sep	18.49	18.56	18.50	18.33
Oct	18.63	18.68	18.64	18.46
Dec	18.93	18.99	18.94	18.76
Jan	19.09	19.15	19.09	18.97
Mar	19.36	19.45	19.40	19.26
May	19.66	19.75	19.70	19.52
Jul	19.86	20.01	19.97	19.76
Aug	20.07	20.13	20.12	20.01
Sep	20.18	20.22	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	172.3	172.5	172.3	170.3
Sep	172.3	173.2	172.5	171.1
Oct	186.6	189.9	188.8	187.2
Dec	187.3	188.7	188.0	186.2
Jan	186.8	188.4	187.3	186.0
Mar	186.0	187.5	186.5	185.5
May	185.9	187.5	186.3	184.8
Jul	186.0	187.5	186.5	186.0
Aug	187.0	189.0	187.0	187.0
Sep	186.5	189.0	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	220/0	223/2	221/4	218/2
Dec	222/2	226/0	224/4	220/0
Mar	231/0	235/0	233/0	229/0
May	237/0	241/0	238/4	235/4
Jul	241/4	245/2	243/6	239/4
Sep	241/2	245/4	243/2	241/0
Dec	244/4	247/4	246/4	244/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	308/4	308/6	309/2	303/0
Dec	317/4	317/6	320/0	313/4
Mar	323/0	323/6	326/0	320/0
May	321/0	321/0	322/4	318/2
Jul	312/4	311/4	313/0	308/4
Sep	317/0	317/4	317/0	316/0
Dec	326/4	327/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	74.125	73.950	74.250	73.825
Oct	74.150	73.875	74.225	73.675
Dec	72.850	72.575	73.100	72.450
Feb	72.125	71.800	72.400	71.750
Apr	73.300	73.000	73.425	72.850
Jun	70.050	70.025	70.400	70.000
Aug	68.700	68.700	0	0

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	44.450	44.075	44.550	44.100
Oct	40.425	39.875	40.450	39.800
Dec	40.850	40.800	40.900	40.550
Feb	40.900	40.600	40.950	40.550
Apr	39.575	39.275	39.600	39.450
Jun	45.025	44.725	46.125	44.950
Aug	43.725	43.450	43.725	43.400

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	41.550	39.850	41.550	39.850
May	42.800	40.800	42.800	41.000
Jul	42.300	40.300	42.300	41.000
Aug	42.250	40.250	42.250	0

LONDON STOCK EXCHANGE

Equities give ground in poor trading

By Terry Byland,
UK Stock Market Editor

THE UK stock market gave back about one third of its recent rally as its revival of confidence was challenged by a heavy fall in Tokyo equities and unsettling corporate results from Germany, the US and Britain.

Adding to the gloom was the monthly report from the Bundesbank, whose defence of its high interest rate policy appeared to set the stage for Thursday's policy meeting. Then the Bank of England, in its Quarterly Bulletin, predicted only weak growth ahead in the domestic economy. There was little reaction, however, to the UK Public Sector Borrowing Requirement figures for last month.

It was a gloomy trading session in London, with stock index futures providing the lead to a thinly traded equity market. The FT-SE Index closed 21.4 down at 2,354.7, although it had rallied when the 2,350 area was challenged.

Weakness in the US dollar took its toll of the overseas earning companies, with BAT Industries, Reed International and Rank Organisation all relinquishing ground. Increasing tensions in the Middle East failed to bring support for oil shares.

Most of the bad news hit the stock market early. The 620-point setback in the Nikkei average made for a poor opening in London, which very soon had to come to terms with a sharp fall in German markets after Mannesmann, Germany's leading engineering group, disclosed that profits dropped by 89 per cent in the first half of this year. The hardest blow on the domestic front came from Sedgwick, the insurance broker, which announced sharply lower interim profits and cut its dividend, an action which sent tremors across the market.

Account Dealing Dates		
*First Dealings:		
Aug 10	Aug 24	Sep 7
Option Declarations:		
Aug 20	Sep 3	Sep 17
Last Dealings:		
Aug 21	Sep 4	Sep 18
Account Day:		
Sep 1	Sep 14	Sep 28

*New time dealings may take place from 8.30 am two business days earlier.

Selling of the September stock index contract, said to be by the London arm of a Japanese house, turned the underlying blue chips downwards. Trading volume was extremely thin but the market remained fixed on its bearish tack. A rally at midsession was blotted out when New York came in lower and Wang, the US computer manufacturer, filed for protection under Chapter 11 of the US bankruptcy laws. Once again, the September FT-SE contract led equities lower.

Share prices extended their losses quite sharply towards the end of the session and the Footsie dipped to 2,351.9 before rallying in the final minutes of the session.

Traders took a philosophical view of yesterday's fall, which was not entirely unexpected after the sharp rally in the Footsie over the previous two sessions. They also stressed that trading volume had never measured up to recovery proportions.

Seaq volume reached only 361.3m shares yesterday, while Monday's total of 315.3m reflected only £643.1m in retail, or customer, business.

Store and retail issues gave back some of recent gains, discouraged by the Bank of England's references to weak consumer spending. Building and construction shares, which had rallied after last week's reports of improved inflation prospects in Europe had prompted hopes that interest rates might soon be trimmed, turned down again yesterday.

Sedgwick news hits sector

INSURANCE broker Sedgwick opened 15 lower and kept falling as the group's second-half profits came below the market's worst expectations. The shares, finally 34 down at 110p, were the most heavily traded in the London market with turnover of 9.1m. The figures prompted sharp downgrades by analysts and led to a slide across the remainder of the sector.

The group reduced its dividend to 3p from 4p and announced a profit of £51.7m. Analysts had expected a dividend cut and also bad news from the US but said the real surprise was that revenues were under pressure right across the board.

Ms Karen Neale of Barclays de Zoete Wedd cut her full-year estimate to £52m from £82.4m and said the stock remained a sell at its current low level. Mr Simon Willis of County NatWest was slightly more optimistic, going for £60m and arguing that the shares were a hold around the 110p mark.

In the rest of the sector, Willis Corroon, which is heavily exposed to the US, fell 14 to 177p; C.E. Heath, whose dividend is believed to be vulnerable, lost 24 to 268p; and Steel Burrill Jones shed 16 to 179p.

Carlton firmer

Optimism for the video arm of Carlton Communications, the television production and services group, was highlighted by one securities house and the shares bucked the market to close 7 higher at 584p.

Hoare Govett pointed out an article in the trade press which said that the video of the film *Batman Returns*, to be marketed by Carlton, will be released early next month and thus boost this year's profits. The video of the previous film achieved one of the most successful market results on record.

The *Batman Returns* video is to go on direct sale immediately, rather than following the traditional route of first appearing in video hire shops. This indicates that profits for Carlton will not be diluted.

Food manufacturer Hillsdown Holdings proved to be one of the chief sufferers from the nervousness in the market caused by the dividend cut by insurance broker Sedgwick.

The fear that Hillsdown's dividend was in danger further undermined the stock. However, most houses have been predicting a small increase, and few seem willing to change their stance as yet. BZW said: "There is over-anxiety on the dividend, which was to be expected in any high-yielding stock after the Sedgwick cut. be expected in any high-yielding stock after the Sedgwick cut. The cover remains good and we believe the dividend will be slightly increased."

Hillsdown was also troubled by other concerns yesterday. A surplus of stock, which had followed downgrades from BZW on Monday and James Capel and Smith New Court last week, had already put market-makers under pressure to mark down the price. There was also a belief in some quarters that Hillsdown will leave the FT-SE 100 Index list at the next review.

Dividend worries elsewhere in the market rebounded to the favour of the water and electricity sectors, where the dividend growth is seen as safe because of company commitments and high levels of cover respectively.

Of the main movers yesterday, Anglian Water rose 10 to 425p, Welsh 6 to 434p and Yorkshire 7 to 449p. Among the Recs, Norweb gained 11 to 349p, Yorkshire 10 to 354p and Southern 8 to 315p.

News that SmithKline Beecham is to create a partnership with US group Marion Merrell Dow for the development and marketing of over-the-counter pharmaceutical products failed to have a strong impact on the shares. The "A" stock bounced on the news but then slid back to close a net 7 off at 455p.

Vodafone weakened 8 to 320p as Smith New Court issued a sell note, arguing that profits looked vulnerable to new competition.

Mining group RTZ was a penny firmer at 527p after copper prices surged on investment fund buying and technical reasons.

A research note from County NatWest describing an eventual merger of Whitbread and Scottish & Newcastle as "inevitable" met with some investor interest, according to County, but little in the way of buying. In a weak breweries sector, Whitbread "A" fell 14 to 396p and S & N 6 to 438p.

An upbeat trading statement from Argyll held the shares steady at 331p. A 1m-share cross at 166p unhinged William Low, off 9 at 172p. Dividend concern left Sears 3½ cheaper at 65½p.

The hotel sector took another beating as investors continued to sell. A large seller in Forte pulled the shares 6 lower to 128p with 3.4m traded, while a similar move in beleaguered Queens Moat Houses knocked the stock down 4 to 48p. Ladbroke fell 6½ to 151p.

Friendless theme park operator Euro Disney dropped 38 to 860p. Granada added 3 at 231p on BSkyB optimism. Rank Organisation's poor run extended into a second day, the shares failing to find a floor and losing 15 to 523p.

Paper and packaging groups Bunzl and David S. Smith showed signs of life as Credit Lyonnais Laing told clients the shares were oversold. Smith jumped 9 to 256p and Bunzl firmed 2 to 93p.

Vague talk of financial worries at Eurotunnel was heard and the shares slipped 12 to 349p. Financial worries also depressed Davis & Newman, which shed a further 3 to 18p.

A squeeze in Kwik-Fit, the car repair group, caused the shares to bounce 7½ to 105½p.

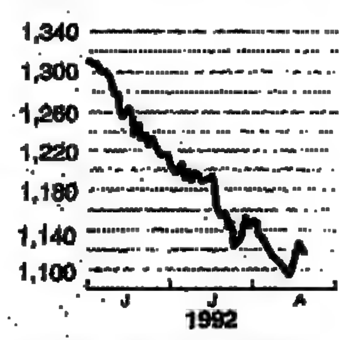
Press comment on British Aerospace, following Monday's resignation of the chairman of the property division, left the shares 8 lighter at 200p in reasonable trade of 2.8m.

Motor distributor Quicks bucked the market trend, firming 2 to 121p after the company reported a jump in interim profits from £328,000 to £1.1m and a 75 per cent increase in the dividend to 1.75p. Bargain hunting sent Whessoe climbing 6 to 139p.

Shortage of stock in BET left the business services group 2 higher at 120p. Conglomerate Williams Holdings eased 7 to 242p on profit-taking.

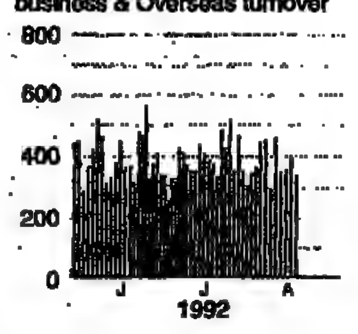
A 5 per cent improvement in interim profits to $17.2m (£9m) at Micro Focus saw the shares improve 92 to 1545p. Nervous trading in BICC ahead of today's interim statement left the stock 5 down at 262p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price.

■ Other market statistics, Page 18

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (3).
BREWERS & DISTILLERS (1) Bulmer, MEDIA (1) CIA, PACKAGING, PAPER & PRINTING (1) Filofax.
NEW LOWS (157).
BANKS (1) ANZ, BREWERS & DISTILLERS (1) Kirin, BUILDING MATERIALS (3) Epwin, Plasiseal, Polypipe, BUSINESS SERVICES (3) CRT, Lep, Rentaminster, CHEMICALS (1) Wolstenholme Rink, CONGLOMERATES (3) Daimler-Benz, Hanson, Porter Chadburn, CONTRACTING & CONSTRUCTION (4) Avonside, Conder, Lilley, McAlpine, ELECTRICALS (5) Fujitsu, Mitsubishi, NEC, Oxford Instrs., Sony, ELECTRICITY (1) Bedford (Wm), ELECTRONICS (3) Graseby, Siemens, Trace Comptrs., ENGINEERING GENERAL (10) Alvis, Black & Edgington, Bridport-Gundry, Brooke Tool, Haden MacLellan, Ransomes, Renold, Six, Victaulic, Wellman, FOOD MANUFACTURING (3) Hillsdown, RHM, Utd. Biscuits, FOOD RETAILING (2) Ashley 8¼pc Pf, Cullen's, HEALTH & HOUSEHOLD (2) Hospital Corp., Scholl, HOTELS & LEISURE (7) Aberdeen Steak Hse., Harmony, Queen Moat 7½pc Pf, Rank Org., Ryan, Thorn EMI, Zetters, INSURANCE BROKERS (8) Bradstock, Heath, Hogg, Lloyd Thompson, Lowndes Lambert, Sedgwick, Steel Burrill J., Willis Corroon, INSURANCE COMPOSITE (2) Allianz, Skandia, INSURANCE LIFE (1) Lloyds Abbey, INVESTMENT TRUSTS (34) Baillie Gifford Japan, Baillie Gifford Shin Nippon, Contra-Cyclical Cap., County Smllr. Co's, Drayton Asia, Do Wts., Drayton Far East, Drayton Recovery, EFM Japan, Fleming Inc. & Cap., Fleming Japanese, Do Wts., Fleming Mercantile, For. & Col. Pacific, Do Wts., GT Japan, German Smllr. Co's Wts., Greenfriar Wts., JF Fledg. Japan, Japan OTC Wts., M & G Inc. Pckg. Wts., Do Geared Uts., Malaysian Emrg. Wts., Martin Currie Pacific, Do Wts., Martin Intl. Green, Moorgate Smllr. Co's Inc., Murray Smllr Mkts., Pacific Assets, Do Wts., River & Merc. Tst. Inc., Thornton Pacific Euro., Throg. 1000 Smllr. Co's, Yeoman, MEDIA (4) Chiltern Radio, Reed, Thomson, Trans World Comms., MERCHANT BANKS (3) Hambros, Warburg (SG), Do 8pc Pf, METAL & METAL FORMING (4) ASW, Apollo Metals, Cook (Wm), Sycamore, MISCELLANEOUS (8) Attwoods, Black (P), Osborne & Little, Ricardo, Savage, Shanks & McEwan, Sinclair, UDO, MOTORS (1) Mid-States, OIL & GAS (3) Arcon, Command, Ranger, OTHER FINANCIAL (2) Bridgend, M & G. St. James's Place Cap., OTHER INDUSTRIAL MATERIALS (1) Williams 5¼pc Pf, PACKAGING, PAPER & PRINTING (3) Enso-Gutzeit, Tinsley Robor, Usher-Walker, PROPERTY (7) Allied London, Britannia, Gt. Portland 9½pc Cv '02, Grainger, Regalian, Tops Ests., Wood (JD), STORES (8) Ashley (L), Body Shop, Fired Earth Tiles, Mallett, Oliver, T & S, TEXTILES (5) Allied Text., Coats Viyella, Parkland, Shiloh, Toray, TRANSPORT (2) All Nippon Airways, Ocean, PLANTATIONS (2) Cons. Plants., Kuala Lumpur, MINES (11) Anglo Amer. Gold, Anglo Amer., De Beers Lnkd. Uts., Dewar, ERGO, Equatorial Gold, Gopeng Berhad, Malinga, Minorco, Mount Martin Gold, Vaal Reefs.

FINANCIAL TIMES STOCK INDICES

	Aug 18	Aug 17	Aug 14	Aug 13	Aug 12	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.62	88.60	88.47	87.96	88.08	86.55	89.75 (3/7)	86.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.23	105.15	104.74	104.19	104.29	94.52	106.35 (3/7)	97.15 (2/1)	108.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ◆	1752.8	1766.2	1753.8	1722.2	1715.3	2041.9	2149.7 (22/5)	1715.3 (12/8)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	81.1	81.6	80.2	81.6	85.8	179.4	160.6 (10/1)	80.2 (14/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2354.7	2376.1	2356.8	2318.0	2303.1	2621.0	2737.8 (11/5)	2303.1 (12/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1072.66	1081.06	1074.48	1065.09	1065.14	1185.91	1248.79 (11/5)	1065.09 (13/8)	1248.79 (11/5/92)	938.62 (16/1/91)
◆Ord Div Yield	5.14	5.11	5.14	5.23	5.34	4.86				
◆Earning Yld % (full)	7.42	7.47	7.42	7.62	7.84	7.71				
◆P/E Ratio (net)	16.92	17.01	16.92	16.58	16.52	16.17				
SEAQ Bargains 5.00pm	16,876	17,414	18,659	17,021	16,406	29,845				
Equity Turnover (£m)†	-	643.1	809.2	816.9	898.5	921.6				
Equity Bargains	-	19,256	21,150	19,073	18,190	29,807				
Shares Traded (mil)†	-	340.3	399.2	366.7	359.0	432.4				

Basis 100 Govt Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83, FT-SE Eurotrack 200 26/10/90. [illegible]

Ordinary Share Index, Hourly changes — Day's High 1761.8 — Day's Low 1748.9
[illegible]

FT-SE 100, Hourly changes — Day's High 2371.7 — Day's Low 2351.9
[illegible]

FT-SE Eurotrack 200, Hourly changes — Day's High 1075.68 — Day's Low 1072.39
[illegible]

GILT EDGED ACTIVITY

Indices	Aug 17	Aug 14
Gilt Edged Bargains	80.9	91.0
5-Day average	84.7	82.9

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index. Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing price	Day's change
[illegible]			
Bunzl	312	93	
Burmah Castrol	442	558	+2
Burton	319	32	
Cable & Wire	1,902	558	12
Cadbury Schweppes	2,200	437	
Caird Group	[illegible]	[illegible]	
Carlton Comms	1,100	584	+7
Coats Viyella	1,100	161	5
[illegible]			
Ladbroke	723	151	-6½
Land Securities	1,100	367	-3
Laporte	74	494	-8
Legal & General	514	310	-3
Lloyds Abbey	438	311	-5
Lloyds Bank	1,100	395	-2
LASMO	3,200	148½	+½
London Elect	907	398	+2
[illegible]			
Sainsbury	1,600	440	-8
Scottish & New	497	438	-6
Scot Hydro-Elect	857	202	+2
Scottish Power	3,800	184½	+½
Sears	2,300	65½	-3½
Sedgwick	9,100	110	-34
Seeboard	1,100	313	+8
Severn Trent Water	600	398	+3
[illegible]			
Wessex Water	40	500	+8
Whitbread 'A'	1,300	396	-12
Williams Hldgs	974	242	-7
Willis Corroon	1,900	177	-14
Wimpey	169	112	-2
Wolseley	435	344	+3
Yorkshire Elect	2,900	354	+10
Yorkshire Water	224	449	+7

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES had a dull session, with stock index futures trading in a narrow range for most of the day as dealers focused on the overnight fall in Tokyo and poor corporate results from Germany, writes Joel Kibazo.

Having opened at 2,369, a brief rise in the September contract on the FT-SE soon went into retreat, pulling the underlying cash market lower, with a Japanese securities house reported to have been an early seller. Attempts at a mid-morning rally met with little success, and following a brief dip to 2,367 September bounced between 2,369 and 2,374 for the next few hours.

Another sell-off in the last hour of trading caused a further retreat by the contract and it eventually settled at 2,363, down 26 from its previous close and around 4 points below its estimated fair value premium to cash of about 12. Futures traded at a discount to fair value throughout the session. Turnover, at 6,793 contracts, was thin.

In traded options, total volume reached a mere 21,852 lots, once again indicating a dull mood. The FT-SE 100 option had 7,120 contracts dealt and the Euro FT-SE 100 index 1,846 lots. British Gas was the busiest stock option on 1,398 lots transacted.

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday August 18 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Aug 17 Index No.	Fri Aug 14 Index No.	Thu Aug 13 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (175)	716.99	-0.8	8.22	6.26	15.57	21.23	722.52	711.91	701.85	833.14
2	Building Materials (23)	755.24	-1.5	7.19	7.41	18.93	26.43	766.72	745.03	720.83	1055.06
3	Contracting, Construction (27)	584.81	-1.6	5.99	10.24	36.34	25.20	594.39	583.83	567.75	1127.94
4	Electricals (9)	2114.52	-0.8	8.15	7.11	15.89	72.04	2132.52	2102.84	2042.04	2377.00
5	Electronics (27)	1883.25	-0.4	8.52	4.58	14.63	45.74	1890.65	1875.54	1859.64	1718.39
6	Engineering-Aerospace (6)	299.31	-0.8	12.17	8.71	10.40	11.27	301.81	296.63	295.12	414.86
7	Engineering-General (43)	433.17	-0.8	9.38	5.56	13.33	12.47	436.64	428.82	427.19	462.88
8	Metals and Metal Forming (7)	273.18	-1.7	6.28	8.07	23.26	7.18	277.82	275.38	275.65	426.65
9	Motors (14)	305.00	+0.1	8.81	7.73	14.95	12.25	304.70	303.11	304.16	348.74
10	Other Industrial Materials (19)	1565.26	-0.5	7.92	5.30	15.21	38.28	1572.98	1554.71	1530.73	1608.01
21	CONSUMER GROUP (191)	1496.01	-1.0	8.18	3.84	15.02	27.61	1510.69	1500.45	1479.69	1507.55
22	Brewers and Distillers (25)	1924.94	-0.8	8.64	3.80	13.96	37.45	1940.90	1923.67	1898.73	1835.98
25	Food Manufacturing (19)	1130.88	-1.3	9.54	4.67	12.96	26.01	1146.32	1145.09	1143.10	1188.06
26	Food Retailing (18)	2665.88	-1.3	9.15	3.42	14.24	44.92	2701.82	2689.78	2641.41	2590.15
27	Health and Household (24)	3768.09	-0.9	7.37	2.84	15.47	42.42	3801.49	3763.50	3702.79	3589.08
29	Hotels and Leisure (18)	989.81	-2.0	8.11	6.92	16.01	36.54	1010.51	1008.75	990.98	1304.25
30	Media (27)	1411.01	......	7.17	3.74	17.37	29.47	1410.75	1401.67	1394.65	1433.60
31	Packaging, Paper & Printing (17)	727.64	+0.8	7.08	4.54	17.11	15.69	722.06	714.28	709.91	744.75
34	Stores (34)	942.80	-1.2	8.01	3.96	16.52	16.98	954.69	948.71	926.90	988.76
35	Textiles (9)	576.90	-1.6	8.41	5.37	14.82	15.02	586.48	586.65	582.26	603.86
40	OTHER GROUPS (117)	1194.53	-0.4	10.32	5.68	12.09	35.65	1198.79	1190.21	1171.68	1249.05
41	Business Services (17)	1222.36	-1.5	6.87	4.22	17.76	21.09	1241.33	1223.57	1197.23	1356.49
42	Chemicals (22)	1307.81	-0.4	7.46	5.56	16.65	45.57	1312.79	1307.06	1287.13	1413.01
43	Conglomerates (10)	1143.59	-0.7	10.00	9.62	12.81	24.98	1151.80	1156.62	1156.66	1466.25
44	Transport (14)	2212.63	-0.5	8.92	5.33	13.82	55.92	2224.40	2219.62	2166.39	2231.05
45	Electricity (16)	1318.59	+1.1	15.04	5.56	8.42	44.58	1303.95	1302.26	1289.46	1207.80
46	Telephone Networks (4)	1393.31	-0.8	10.85	4.74	12.01	46.15	1404.23	1390.27	1359.79	1487.29
47	Water (11)	2805.60	+1.2	15.97	6.17	6.93	86.85	2773.61	2757.28	2749.64	2387.21
48	Miscellaneous (23)	1918.75	-0.9	6.92	5.27	18.15	54.03	1936.81	1898.28	1859.27	1966.09
49	INDUSTRIAL GROUP (483)	1205.01	-0.7	8.88	4.86	14.00	29.03	1213.95	1203.91	1186.51	1261.06
51	Oil & Gas (17)	1795.52	-1.2	8.43	6.79	15.51	68.79	1817.79	1806.96	1783.85	2415.59
59	500 SHARE INDEX (500)	1262.89	-0.8	8.84	5.05	14.14	32.22	1272.88	1262.64	1244.60	1359.56
61	FINANCIAL GROUP (84)	665.15	-1.0	-	6.70	-	25.18	671.74	667.90	656.42	808.29
62	Banks (9)	897.98	-0.4	7.14	6.14	20.19	36.70	902.02	894.21	878.84	939.18
65	Insurance (Life) (6)	1370.85	-0.8	-	6.49	-	44.26	1381.96	1390.82	1352.04	1555.57
66	Insurance (Composite) (7)	459.37	-1.2	-	6.82	-	13.46	464.77	462.84	453.49	653.45
67	Insurance (Brokers) (10)	605.56	-10.9	12.80	10.72	10.28	31.02	679.55	677.06	663.84	1141.73
68	Merchant Banks (7)	400.14	-1.3	-	5.40	-	12.37	405.24	406.20	405.31	429.96
69	Property (30)	521.67	-0.6	11.49	8.76	11.68	20.85	524.56	517.76	511.89	906.56
70	Other Financial (15)	221.96	-0.2	8.28	7.79	16.34	6.63	222.35	222.08	221.97	251.45
71	Investment Trusts (70)	1047.88	-0.5	-	4.29	-	22.04	1053.55	1050.07	1046.94	1204.86
99	ALL-SHARE INDEX (654)	1119.35	-0.8	-	5.24	-	30.07	1128.41	1119.79	1103.70	1225.58

	Index No	Day's Change	Day's High (a)	Day's Low (b)	Aug 17	Aug 14	Aug 13	Aug 12	Aug 11	Year ago
FT-SE 100 SHARE INDEX♦	2354.7	-21.4	2371.7	2351.9	2376.1	2356.8	2318.0	2303.1	2309.6	2554.5

FIXED INTEREST

	PRICE INDICES	Tue Aug 18	Day's change %	Mon Aug 17	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (23)	121.18	+0.02	121.16	1.62	8.49
2	5-15 years (25)	137.58	+0.07	137.49	2.02	8.74
3	Over 15 years (8)	149.88	+0.09	149.73	2.22	7.62
4	Irredeemables (6)	168.45	+0.02	168.41	3.17	7.34
5	All stocks (62)	135.09	+0.06	135.01	1.94	8.67
	Index-Linked					
6	Up to 5 years (2)	170.91	-0.02	170.94	0.01	3.25
7	Over 5 years (10)	148.25	-0.14	148.70	0.53	3.33
8	All stocks (12)	150.20	-0.13	150.59	0.46	3.29
9	Debs & Loans (62)	120.93	+0.01	120.92	3.04	6.83

	AVERAGE GROSS REDEMPTION YIELDS		Tue Aug 18	Mon Aug 17	Year ago (approx.)
	British Government				
1	Low	5 years	8.57	8.55	8.92
2	Coupons	15 years	8.85	8.86	9.73
3	(0%-7¾%)	20 years	8.85	8.86	9.73
4	Medium	5 years	9.39	9.39	10.02
5	Coupons	15 years	9.05	9.06	9.92
6	(8%-10¾%)	20 years	8.98	8.99	9.87
7	High	5 years	9.62	9.62	10.20
8	Coupons	15 years	9.25	9.26	10.04
9	(11%-)	20 years	9.15	9.16	9.95
10	Irredeemables		9.13	9.13	9.92
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.25	4.23	3.93
12	Inflation rate 5%	Over 5 yrs.	4.53	4.52	4.36
13	Inflation rate 10%	Up to 5 yrs.	3.45	3.43	2.92
14	Inflation rate 10%	Over 5 yrs	4.33	4.32	4.16
15	Debs &	5 years	10.70	10.70	11.72
16	Loans	15 years	10.41	10.41	11.51
17		25 years	10.27	10.27	11.32

♦Opening index 2371.7; 9 am 2363.2; 10 am 2363.2; 11 am 2367.1; Noon 2363.4; 1 pm 2363.0; 2 pm 2365.0; 2.30 pm 2365.1; 3 pm 2364.1; 4.10 pm 2352.1; (a) 8.30am (b) 4.11pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int	Yield Red
"Shorts" (Lives up to Five Years)							
13½pc 1992		100¼xd		102¼	100¼	13.46	10.24
Treas 8¼pc 1993		99⅛	-	99⅞	97⅞	8.31	9.75
10pc 1993		100		100½	99⅞	10.00	9.91
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int	Yield Red
Treas 10½pc 1999		105⅝		107	101	9.94	9.35
Conversion 10¼pc 1999		104		106	100	9.80	9.35
9pc 2000		99xd		100	94⅝	9.09	9.18
Treas 13pc 2000		118		121⅛	114	10.96	9.58
10pc 2001		104xd		106⅛	99	9.60	9.27
14pc '98-01		118		121	115	11.81	9.71
9¾pc 2002		103xd		105⅛	98⅛	9.43	9.22
10pc 2003		105xd		107	100	9.48	9.20
Treas 11½pc 2001-04		111xd		113	107	10.31	9.51
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield (1)	Yield (2)
Index - Linked	(b)						
Treas 2pc '94	(102.9)	127		127⅝	122⅛	2.38	3.87
2pc '96	(67.9)	181½xd		184¼	176⅛	3.64	4.33
2½pc '01	(78.3)	144¼xd		148	143	4.36	4.71
2½pc '03	(78.8)	139		144	138	4.39	4.69
2pc '06	(69.5)	141		147	139	4.40	4.64
2½pc '09	(78.8)	129		134¼	126	4.38	4.59
2½pc '11	(74.6)	133¼xd		138	129¼	4.36	4.55
2½pc '13	(89.2)	110¼		114	106	4.33	4.51
[illegible]							

OTHER FIXED INTEREST

[illegible]

NOTICE

ROYAL TRUSTCO LIMITED

U.S. $150,000,000 FLOATING RATE SUBORDINATED CAPITAL DEBENTURES DUE SEPTEMBER 2085

Notice is hereby given to the holders of the above Debentures pursuant to section 2.04(2) of the Trust Indenture, that the Reference Dividend is C$0.185 and the last regular dividend declared by Royal Trustco Limited (the "Company") on each of its Common Shares is C$0.10.

Notwithstanding the foregoing and the provisions contained in section 2.04 and section 2.08 of the Trust Indenture, Montreal Trust Company of Canada (the Trustee) has agreed to execute and deliver a supplemental indenture to provide that the Rate of Interest will be adjusted as provided for in section 2.04(1) only if the Company gives the notices provided for in section 2.04(2).

This Notice is given pursuant to the provisions of the Trust Indenture as they now exist, unamended, and shall not be construed as a notice given pursuant to section 2.04(2) of the Trust Indenture as supplemented and amended as described herein.

DATED at Toronto, this 14th day of August, 1992
ROYAL TRUSTCO LIMITED

The amendments to the Trust Indenture will have the effect that holders of Debentures will continue to receive interest in cash on the respective due dates as in the past. The Company will be relieved of the obligation which provided that a dividend reduction results in an equivalent reduction in the cash interest provision and the difference be made up by the issuance of Common Shares to the Trustee for sale in the market in order to complete the stipulated interest distribution. The latter provision would evolve only after due notice to Debentureholders.

THE PORTO GROWTH FUND LIMITED
International Depositary Receipts
Morgan Guaranty Trust Company of New York
EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the Company will be held at Chase House, Grenville Street, St. Helier, Jersey, Channel Islands on the 11th September 1992 at 10.00 a.m. for the purpose of adopting the following Special Resolution as an addition to the Memorandum of Association as required under the Companies (Jersey) Law 1991:
"The Company is a Public Company"
Voting arrangements for IDR-holders
IDR-holders who wish to vote must follow the procedure explained hereunder:
IDR-holders must:
Deliver the IDRs to the Depositary at the latest on 9 September 1992 at the address given below (attention Securities Department - telephone 322/508.82.15 - telex 21752 MOKBK B), instruct the Depositary as to the manner in which votes should be cast, and indicate to whom the IDRs should be returned after the meeting.
Or instruct EUROCLEAR or CEDEL to block the number of shares for which they want to vote and to vote in their behalf.
IDR-holders who wish to vote are also requested to transfer to Morgan Guaranty Trust Company of New York, New York for account 670-01-422 of Morgan Guaranty Trust Company of New York, Brussels, a fee of US$3.- per IDR in respect of which a vote is cast.
Depositary: MORGAN GUARANTY TRUST COMPANY OF NEW YORK
35, AVENUE DES ARTS, 1040 BRUSSELS

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+or -	1992 high	1992 low	Mkt Cap £m	Yld Gr's
Abbott Labs h	16xd	+1/16	19 1/8	14 7/8	13,874	2.0
♥Allegheny & W	364p	-14	388p	226p	158.0	5.2
Amdahl	682p	—	1159p	682p	784.1	0.6
Amer Cyanamid	31 7/8	-1/8	37	28 7/8	2,888	2.8
Amer Express	11 7/8xd	+1/16	13 7/8	10 1/2	5,521	4.5
Amer T & T	22 7/8xd	—	24 7/8	20 1/8	38,888	3.1
Ameritech	36 1/8	+1/8	38 1/2	32 1/2	15,818	5.1
BankAmerica	23 1/2xd	-3/16	27 1/8	19 1/16	8,881	2.9
Bankers NY	32 7/8xd	+1/8	37 1/4	28 7/8	2,784	4.1
Bell Atlantic	25 7/8	+1/8	28 1/4	23 1/8	11,831	5.3
BellSouth	28 1/2	+1/2	29 1/8	25	13,933	5.1
♥Bethlehem Steel	8 7/8xd	+1/16	9 7/8	6 1/4	687.3	—
Bowater	1036pxd	+2	1679p	1076p	373.2	6.1
CPC h	26 1/2xd	-1/16	26 1/4	22 1/8	3,868	2.4
♥Cadiz Land Inc	156p	—	342p	142p	—	—
Campbell Soup	19 1/8xd	-1/8	23 1/16	17 1/8	4,928	2.1
Chase Manhattan	12 7/8xd	—	15 1/2	9 1/8	1,818	4.9
Chrysler	11xd	+1/16	11 1/2	6 1/4	3,273	2.9
Citicorp	9 1/16xd	-1/16	11 1/4	5 1/8	3,364	—
Colgate-Palm	28 1/8xd	+1/8	29 1/16	25 1/4	4,818	2.3
Cont'l Bank	918p	-10	1036p	489p	838.7	3.4
Dana	20 7/8xd	+1/4	24 1/2	14 1/8	844.7	4.0
Data General	420p	+4	1084p	388p	115.9	—
Dun & Brad	29	—	30 1/2	27 7/8	5,174	4.1
Eaton	40 7/8	+1/8	46 1/2	32 1/2	1,485	2.8
Echlin	9 1/16xd	+1/16	11	7 1/8	532.4	3.9
FPL	19 1/16xd	-1/8	26	18 1/8	3,487	6.6
Fluor	23 1/2	-1/8	27	19 1/4	1,852	1.0
Ford Motor	21 7/8xd	—	26 7/8	15	10,489	2.4
Gen Elect	38 7/8xd	—	46 1/4	38 7/8	34,878	3.1
♥General Host	479p	+5	535p	360p	—	3.9
Gillette	26 1/8xd	+1/8	29 7/8	23 1/2	6,178	1.3
Hasbro	15 7/8	-1/8	16 1/2	12 1/8	1,368	0.7
Honeywell	33xd	+1/8	43	32	2,384	2.8
Houston Inds	22 7/8	-1/8	25	22 7/8	2,162	6.9
IBM	45 1/2xd	-1/16	54 1/2	45 1/4	26,217	5.5
Ingersoll-Rand	13 7/8xd	-1/16	18 1/2	13 1/8	1,413	2.7
Lockheed	26	+1/8	28 7/8	22 7/8	1,547	4.4
Lowe's h	925p	-43	1273p	615 1/2p	674.5	1.6

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1992 high	1992 low	Yld Gr's	NAV	Dis or Prm(-)
Scottish Inv ... †	[illegible]	−1	178	148	3.8	182.4	17.8
Warrants	23½	—	38	22	–	–	–
Scot Mortgage	139	−1	167	137	3.7	166.1	16.3
Scot National Inc	71½	—	107	70½	17.8	–	–
Cap	18	−1	42	12½	–	–	–
Stepped Pf ... I	148½	—	142	138	5.8	–	–
Zero Div Pf	187½	—	187½	166½	–	–	–
Warrants	3½	—	9	3	–	–	–
Scot Value ... fa	60½	—	64	48	4.0	59.3	−1.1
Sec Alliance ... †	1100	−2	1203	1093	4.2	1257.0	12.5
Second Market ... g	231	—	244	222	8.8	278.5	17.3
Sec Tst Scot	63	−½	75½	63	6.9	65.9	3.6
Select Assets	81	—	102½	81	1.4	120.8	33.0
Eq Ind Ser I	110	—	123	109	5.2	–	–
Eq Ind Ser II	110	—	123	109	5.2	–	–
Shires	205	—	240	195	12.8	200.6	−2.2
11pc Cv Ln '03/04	£102½	—	£119½	£95½	10.7	–	–
Siam Select	68	—	97	68	6.5	91.4	25.6
Warrants	10	—	21	10	–	–	–
Smaller Cos	71xd	—	85	67	4.7	80.9	12.2
Warrants	11	—	20	10	–	–	–
Somerset Tst	122	—	140	55	–	81.2	−50.2
Sphere Inc ... N	10½	+½	28	10	90.4	13.2	28.1
Zero Div Pf	86	—	77¼	65¼	–	–	–
Somur	30	—	55	30	6.8	109.1	72.5
TR City of Lon	103xd	−1	127½	97½	8.2	102.8	0.2
TR Euro Growth ... g	75	—	98	74	1.8	92.0	18.5
Ptg Sub ... s	36	—	54	35	3.7	–	–
TR Far East Inc ... M	83	—	86	76	7.1	92.6	10.3
Warrants	15	—	22	12	–	–	–
TR High Inc	95	—	119	91	8.3	94.7	−1.3
Sub ... g	23	—	35	22	8.7	–	–
TR Pacific ... s	74	−1	98	71	8.6	85.5	13.5
TR Prop	16	−½	27	16	12.1	28.0	41.1
TR Smaller	110xd	−1	152	110	4.5	124.8	11.8
TR Technology	22	—	37	20	11.7	58.7	65.9
Stepped Pf	99½	+½	102¼	88¼	7.4	–	–
Zero Pf	176	−1	186½	154½	–	–	–
Temple Bar ... N	230xd	—	277	227	7.5	253.8	9.4
8pc Cv Ln 2002	£117½	—	£117½	£110½	5.1	–	–
Templeton Em	183xd	—	224	165	1.8	185.7	2.0

[illegible]

MEDIA - Cont.

Notes	Price	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
Utd News	377	+6	457	323	761.3	7.4	14.5
VTR	55	−1	88	46	3.88	8.6	13.5
WPP	30	−1½	115	31	85.8	–	–
Warrants	3	—	8½	1½	0.16	–	–
Watmoughs	430	+4	480	391	141.2	3.3	21.2
Yorkshire TV	167	—	191½	149½	78.3	10.2	5.6

MERCHANT BANKS

Notes	Price	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)	27	—	34	25	66.4	–	–
Baring 8pc Cn 2nd Prf	97	−1	100	83½	12.1	11.0	–
9¼pc Non-Cum Prf	118¼	−½	125	103¼	47.3	11.0	–
Brown Shipley	53	—	204	50	8.48	–	–
Close Bros ... †	218	—	257	210	88.7	5.6	9.4
Hambros	211	−3	292	211	[illegible]	6.7	7.7
7½pc Cv Pf	108½	−½	119	93	[illegible]	9.7	–
Joseph (L)	318xd	—	333	313	16.7	6.6	–
Kleinwort Benson	231xd	−1	324	212	391.2	9.2	20.2
Rea Bros	25	—	37	26	18.2	2.6	–
Schroders	1198	—	1385	1043	888.7	2.0	13.6
N/V	968	—	1156	893	128.8	2.4	11.4
Singer & Fried	35	—	58	35	67.3	9.5	7.7
Warburg (SG)	408	−12	605	408	851.6	5.9	8.2
8pc Cv Pf	144	−3	284	144	61.3	5.6	–
Wintrust	218	—	259	213	18.8	5.9	8.2

METALS & METAL FORMING

Notes	Price	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
ASW	68	−1	165	68	48.4	17.5	12.9
Apollo Metals	108	−1	147	108	12.7	4.3	11.8
Ash & Lacy	141	—	188	141	37.4	6.1	10.8
Barrett (H) ... ‡	12	−1	45	12	5.21	‡	27.8
Billam (J)	118	—	144	84	1.78	5.2	6.2
Brit Steel	54½	−1½	86	52	1,098	11.0	51.9
BCI	21	—	35	15	18.2	13.0	7.9
Castings	161	—	195	118	34.4	3.4	11.1
Chamber & Hill	105	—	148	90	7.87	7.6	6.9
Cohen (A)	325	—	408	325	8.80	4.1	–
Cook (Wm)	171	−9	335	171	37.2	8.0	6.9
Cooper (F)	29	—	60	29	16.3	18.4	14.1

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIAL MATERIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £[illegible] a year for each security shown. Subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 38p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

INSURANCES

Life Association of Scotland

113 Dundas St Edinburgh EH3 5EB 031-550 5000

	Bid Price	Offer Price	+ or -	Yield Gross
LAS Investment Assurance				
Managed Fund	247 7	260 8	-0 6	-
UK Equity	416 6	438 6	+0 2	-
Property	279 3	294 0	+0 5	-
Money Market	232 1	244 4	+0 1	-
Fixed Interest	271 0	285 3	-0 5	-
Japan	200 4	211 0	-4 4	-
North America	116 4	122 6	-0 2	-
International	191 4	201 5	-1 5	-
European	184 9	194 7	-0 3	-
Far East	70 5	74 3	-1 0	-
Pension Funds				
Managed	171 0	180 0	-0 5	-
International	141 9	149 4	-1 1	-
Property	219 5	231 1	+0 1	-
Money Market	227 1	239 1	+0 1	-
Fixed Interest	228 8	240 9	-0 5	-
UK Equity	283 0	297 9	+0 2	-
North America	117 4	123 6	-0 1	-
Japan	108 6	114 4	-3 4	-
European	206 9	217 8	-0 4	-
Far East	58 3	61 4	-1 1	-

Lifetime Assurance Co Ltd

Bank Hse St John's Rd Harrow HA1 2EE 081-861 5999

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Security	115 9	122 0	+0 8	-
Managed Growth	121 3	127 7	-2 3	-
Managed Opportunity	107 7	113 4	-0 8	-
Property	117 6	123 8		-
Fixed Interest	125 4	132 1	+0 2	-
Cash	117 9	124 2	+0 8	-
UK Equity	99 4	104 7	-1 5	-
Int Equity	118 1	124 4	-1 6	-
Pension Funds				
Managed Security	118 7	125 0		-
Managed Growth	117 0	123 2		-
Managed Opportunity	102 9	108 4		-
Property	121 1	127 5		-

NEL Britannia Assce Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Specialist Funds				
Barings Conversities	101 0	106 3	+0 3	-
Barings Eastern	109 7	115 5	-1 3	-
Barings Equity Income	86 3	90 8	+0 2	-
Barings European Growth	105 2	110 7	+0 7	-
Barings German Growth	95 2	100 2	+0 3	-
Barings Japan Growth	71 3	75 1	+1 1	-
Barings UK Smllr Cos	81 9	86 2	+0 2	-
Fidelity 1992 Euro Opps	97 3	102 4	+0 4	-
Fidelity American	110 6	116 4	+0 7	-
Fidelity Amer Sp Sits	121 6	128 0	+1 3	-
Fidelity Asian	109 9	115 7	-1 1	-
Fidelity European	88 0	92 6	+0 4	-
Fidelity Euro Inc	97 4	102 5	-0 6	-
Fidelity Famous Names	105 1	110 6	+0 3	-
Fidelity Gilt & Fxd Int	112 3	118 2	+0 6	-
Fidelity Global Conv	103 3	108 7	+0 4	-
Fidelity Growth & Inc	97 4	102 5	+0 5	-
Fidelity Income Plus	87 3	91 9	+0 4	-
Fidelity Intl Bond	102 1	107 5	+0 5	-
Fidelity Japan	66 9	70 4	+0 8	-
Fidelity Japan Sm Cos	61 5	64 7	+0 2	-
Fidelity Japan Sp Sits	63 8	67 2	+0 9	-
Fidelity Recovery	93 3	98 2	+0 1	-
Fidelity S E Asia	116 8	122 9	-0 7	-
Fidelity Special Sits	89 1	93 8	+0 5	-
Gartmore Am Emer Gwth	116 3	122 4	+0 9	-
Gartmore Brit Growth	106 9	112 5	+0 8	-
Gartmore Euro Sel Opps	86 7	91 3	+0 2	-
Gartmore Frontier Mkts	102 9	108 3	-0 4	-
Gartmore Hong Kong	156 2	164 4	-2 4	-
Gart Int Fxd Int	104 1	109 6	+0 2	-
Gartmore Japan	67 7	71 3	+0 8	-
Gartmore Pacific Gwth	119 5	125 8	-1 1	-
Henderson Australian	92 7	97 6	+1 4	-
Henderson Best of British	95 9	100 9	+0 7	-
Henderson European	94 3	99 3	+0 6	-
Henderson Global Inc & Gth	93 7	98 6	+0 5	-
Henderson High Income	83 6	88 0	+0 8	-
Henderson Inc & Growth	94 4	99 4	+0 6	-

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

OFFSHORE INSURANCES

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

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BERMUDA (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

GUERNSEY (REGULATED)

Gartmore Fund Managers (Guernsey) Ltd

Leopold Joseph Fund Mngrs (Guernsey) Ltd

Providence Fund Managers (Guernsey) Ltd

Sun Life Management (Guernsey) Ltd

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)

ATC Fund Management (IoM) Ltd

Appleton Financial Advisers Ltd

CMI Fund Mngrs (IOM)

City Financial Assets (IoM) Ltd

Duncan Lawrie Inv. Mgmt. Ltd

Equity & Law International Fund Mgt Ltd

Gartmore Fund Managers (IoM) Ltd

John Govett Management (IoM) Ltd

IBF Global Funds (IoM) Ltd

Target International (Isle of Man) Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Capital House Fund Mngrs (CI) Ltd (0900)H

Gartmore Fund Managers International Ltd

John Govett (Channel Islands) Ltd (1000)F

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

INVESCO MIM International (Jersey) Ltd

Lloyds Bank (CI) U/T Mngrs.

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd (1400)F

Standard Bank Fund Mgmt (Jersey) Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)

Barclays Intl Funds

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

EBC Trust Company (Jersey) Ltd

EquitiLink International Mngt Ltd

Fidelity Investment (CI) Ltd

Fleming Group

Foreign & Colonial Mgmt (Jersey) Ltd

John Govett Management (Jersey) Ltd

INVESCO MIM International Limited

Lloyds Bank Trust Co (CI) Ltd

Management International (Jersey) Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Northgate Unit Trt. Mngr. (Jersey) Ltd

Perpetual UT Mgrs (Jersey) Ltd

The Portugal Fund Limited

Royal Trust Intl Fd Mngt Ltd

Schroder Mngt Services (Jersey) Ltd

Schroder Worldwide Money Fund Ltd

Schroder Worldwide Selection Fd Ltd

Scrimgeour Kemp-Gee Mngmt. Jersey

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

Worldinvest (Guernsey) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Abtrust Fund Mngrs Luxembourg SA (a)

Aetna Intl Umbrella Fund (a)

INVESCO MIM International Limited (a)

Barclays Intl Funds (Lux) (1400)

Commercial Union Luxembourg SA (a)

Commercial Union Luxembourg SA - Contd.

Craverie Asset Advisors (Lux) SA (a)

DB Investment Management SA

Den norske Bank

Dica Income Fund

Dreyfus/Laurel Asset Mngmt SA (a)

Eagle Star - Global Assets Fund (a)

EquiFund-Wright National Eqty Fd (a)

Fidelity Funds (a)

Fleming Group (a)

Gartmore Indosuez Funds

Gartmore Luxembourg SA (a)

Henderson Management SA (a)

Hill Samuel Inv Services Intl SA (a)

Hypo Foreign & Colonial Port Fd Sicavs

Kleinwort Benson Japanese Warrant Fund

Kleinwort Benson Select Fund (a)

Lazard Fund

Liberty ALL-STAR World Ptflo-Eqty Fd (a)

Lloyds Bank Luxembourg

Midland Intercontl Circuit Fund SICAV (a)

Nomura Global Fund (a)

Norwich Union Intl Portfolio (a)

PRECOA Worldwide Inv Portfolio Sicav (a)

Sarasota Group (Luxembourg)

Schroder International Selection Fd (a)

Sun Life Global Management Ltd (a)

Templeton Global Strategy SICAV

Touche Remnant (Guernsey) Ltd (a)

Tyndall Global Fund SICAV

S.G. Warburg Asset Mngmt Lux SA (a)

Wardley Investment Services (Lux) SA (a)

LUXEMBOURG (REGULATED)

Alliance Capital

Asian Development Equity Fund

BAII International Mngt

Banque Paribas Luxembourg

CB Fund International (a)

Citicorp Investment Mgmt (Luxembourg) SA

Credit Commercial de France

Credit Lyonnais Rouse (Bermuda) Ltd

Credit Suisse

Daiwa Japan Fund

Daiwa Japan Small Equity Fund

Dean Witter World Wide Invest. Tst SA

The Dragon Fund Sicav

Espirito Santo Investment Mngmt (SICAV)

Eurco Management S.A.

Europe Plus Investissement (SICAV) (b)

Europe Value Fund (a)

EuroOptec (a)

Fidelity Intl Inv Serv (Luxembourg) SA

Fidelity Investment (CI) Ltd

The First Korea Smaller Companies Fund

Five Arrows Intl Bond Fund (a)

Fleming Group

Gartmore Luxembourg S.A.

H.C.M. HYPO Capital Mgt Luxembourg SA

Intermarket Multicurrency Fund

International Bond Trust

International Specialty Fund (a)

INVESCO MIM International Limited

Investissements Atlantiques SICAV

JC Global Fund-SICAV

Latin American Management Co Ltd

Laurent Intl Fds-Global P'folio FCP (a)

Lloyds Bank Luxembourg (a)

Mediterranean Fund (SICAV) (a)

Merrill Lynch Asset Management

Morgan Stanley Sicav

Murray International Fund

NM Income & Gwth Fd

Nikko Bank (Luxembourg) S.A.

Nomura Asian Infrastructure Fd SICAV

Nomura Rosenberg Alpha Fund Mgmt II

Norit Currency Fund

Pacific Basin Growth Fund

Rosenberg Global Mngt Co SA (a)

Rosenberg Management SA (a)

Rosenberg US Japan Mngmt Co SA (a)

SCI/TECH SA

Skandifond

Sogelux Fund

Templeton Worldwide Investments

Transworld Bond Trust

US Pacific Stock Fund (a)

Unibank SA, Frontrunner I (a)

Union Investment

Unico Financial Services SA Lux

Warburg Asset Management Co (Lux) SA

World Trust Fund

Yamaichi Advanced Technology Fund

Yamaichi 1992 OMNI Fund SICAV (a)

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Abtrust Fund Mngrs (Guernsey) Ltd

Adig Investment

Aetna Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Asian Convertible & Income Fd (Cayman)

Austro-Hungary Fund Ltd

BEA Associates

Julius Baer Bank & Trust Co Ltd

Julius Baer Multystock

Bque Fr Serv & Cr/Europ Inv Mgt Ltd

Baring International Group

The Batavia Fund Ltd

Bermuda Intl Investmt Mngmt Ltd

Bordier Funds Ltd

The Brazilian Inv Fund

Bridge Management Ltd

Buchanan Fund Ltd

Butterfield Management Co Ltd

CA Securities Investment Fund Mnmt Ltd

CDC International

Cambrian & General Securities

Candover Investment Ltd

Capital International

Charterhouse Funds Limited

The China Fund

China Investment Company

Citizens Investment Trust Mgt Co Ltd

Consolidated Investments Ltd (Hong Kong)

Credit Lyonnais Intl Asset Mngmt (HK) Ltd

Credit Lyonnais Rouse (Bermuda) Ltd

Crystal Corporation N.V.

DWS Deutsche Ges. F. Wertpapiersp

Daehan Investment Trust Co Ltd

Daiwa Intl Capital Management (H.K.) Ltd

Daiwa Japanese Equity Warrant Fund

Deutscher Investment-Trust

EBS Overseas Fund Ltd

E.T. Investment Management Ltd

Emerging Markets Management

English & Dutch Investment Trust

Ermitage Group

Europe 1992

S.G. Europe Obligations SA

FFM / Swiss Financial Services

Falcon Fund International Inc

Fidelity International (a)

Fidelity Investment (CI) Ltd

First Mexico Income Fund

Five Arrows Chile Fund Ltd

Formosa Fund

Formosa Growth Fund Ltd

Frankfurt Trust Investment-GmbH

Free World Fund

The French Prestige Fund

Fuhrer Fund Mngrs Ltd

GT Chile Growth Fund Ltd

GT Europe Warrant Fd Mngrs (Lux) SA

GT Management Plc

Gaia Currency Funds

Garantie Sector Analysis Portfolio NV

Genesis Fund Managers Ltd

Gartrust SA

Global Asset Management

Global Government Plus Fund

Granville Management Limited

Green Way Guaranteed Ltd

Group One Limited

Group One International Tst

Guinness Flight International Accum Fd

Guinness Flight International Fd Ltd

Guinness Flight Int Fd Mgrs Ltd

Hill Samuel Investment Services Intl Co (a)

Indosuez Asia Invest Services Ltd

Inverse Asia Fund

The India Magnum Fund NV

Jardine Fleming Inv Mngt Ltd

Jardine Fleming Unit Trusts Ltd

The Japan Capital Secured Trust

The Japan Fund N.V.

Kestrel

Korea Investment Trust Co Ltd

Lambert Bank

Lehman Brothers Sports Growth Fund

Lipps Asia Ltd

Lloyd George Management

London Portfolio Services Group

MFS Meridian Funds

Malaysia Capital Fund Ltd

Malaysia Fund Inc

Malaysia Growth Fund

Malaysian Smaller Co's Fd (Cayman) Ltd

Managed Futures Institutional Fund Ltd

Man International Futures

Merrill Lynch Inc

Momentum Asset Mgmt

Morgan Grenfell Emerging Market Fund

Morgan Stanley Japanese Warrant Fund NV

Newport International Management

Newport International Fund

Nomura Warrant Fund 1990 Ltd

North Star Fund Managers (Cayman) Ltd

North Star Fund Managers - Contd.

Northfield International Ltd

Odey Asset Management Limited

Old Ironsides International Ltd

Omega Overseas Partners Ltd

Optima Fund Management

Orbitex Bahamas Ltd

ORIENT Growth Fd

PFC Internatl Portfolio Fd Mngt Ltd

PFS International

Pakistan Fund

Pacific Growth Fund

Pictet Funds Selection Limited

Porcupine Holdings & Purves

Portuguese Investment Fund Ltd

Putnam International Advisors Ltd

Pyrford Investment Mngt Fd Switz

Quantum Group

Real Estate Strategies Ltd

Regent Fund Management Ltd

Rothschild Asset Management (CI)

Rothschild & Cie Banque

Royal Trust North American Bond Fd

Sabre Futures Fund

Safra Republic Holding

Schroder Japanese Warrant Fund

Schroders Asia Limited

Schroders Australia Ltd

Schroders Bermuda Funds

Scudder, Stevens & Clark Inc

Sequoia Securities (Bermuda) Ltd

Shipping Investment Fund Ltd

Slam Smaller Companies Fund Ltd

Singer & Friedlander Ldn. Agents

Societe Generale Group

Societe Generale Merchant Bank plc

Spinnaker International Fund Ltd

Taipei Fund

Taiwan Tracker Fund Limited

Templeton Galbraith & Hansberger Ltd

The Thai Development Capital Fd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Growth Fund

The Thailand Intl Fund Ltd

Thames Currency Fund Ltd

Thornton Investment Management Ltd

Tokyo Pacific Holdings N.V.

Tokyo Pacific Holdings (Seaboard) N.V.

Tyndall International (Bermuda) Ltd

Wardley Investment Services Ltd

Warburg Asset Mngt (Jersey) Ltd

Wellington Management Co (CI) Ltd

World Fund Asia Pacific Fd

Yamaichi International Fund Managers

Xiphias International Investment Fd Ltd

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older unit linked plans subject to capital gains tax on sales. x Distribution free of UK taxes. Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. Guernsey gross. Suspended. Yield before Jersey tax. Ex-subdivision. Only available to charitable bodies.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Concern on Bundesbank policy

BOTH the dollar and sterling drifted lower against the D-Mark yesterday, amid fears that the Bundesbank will keep a tight grip on conditions in the German money market, *writes James Blitz.*

German inflation is falling but the Bundesbank's tone on money supply still seems hawkish. The particular fear driving dollar/D-Mark down yesterday was that the German central bank will not add liquidity to the money market in its weekly intervention today, allowing cash rates to rise.

German call money was being traded yesterday just below the Lombard rate level of 9.75 per cent. If the German central bank fails to add reserves, call money will rise and the Bundesbank will be forced to raise the Lombard rate again. This is because the Bank would want to stop the phenomenon of "round tripping," in which a commercial bank borrows money through the Bundesbank's emergency window, and sells it at the higher call money rate in the open market.

If the Lombard rate rises, the differential between short term interest rates in Germany and the US will widen and the dollar will fall. But the Bundesbank's hands may be tied, because of difficulties bringing M3 money supply growth into its target range. The suspicion is that the central bank wants to "sterilise" its recent interventions on behalf of the dollar on the foreign exchanges by withholding reserves. Dealers say that every DM3bn of intervention has added 1 per cent to M3 growth.

The dollar's only support is the threat of central bank intervention. According to Mr Avinash Persaud, a currency economist at UBS Phillips and Drew in London, the Fed's next intervention will have to be on the scale of $3bn to $4bn if it is to turn the market, and would be one of the largest central bank interventions of recent years.

In Europe, the dollar fell to a low of DM1.4555 against the D-mark and closed at DM1.4580. Sterling was also badly hit, briefly dipping below the DM2.8100 level in intra-day trading and ending at DM2.8125, its lowest close against the D-Mark since the UK joined the Exchange Rate Mechanism in October 1990. The Italian lira was also off gainst the D-Mark, at L759.6, from a previous close of L759.0.

The yen lost ground against the D-Mark following the latest fall on the Japanese stock market and fears that the official discount rate will be cut again. It closed at Y86.59 to the D-Mark from Y85.98. Falling long bond yields may push the yen further downwards if European bond markets stabilise after France's referendum on the Maastricht treaty. Japanese bonds currently yield only 4.7 per cent compared to better returns in Europe.

£ IN NEW YORK

Aug. 18	Latest	Previous Close
£ Spot	1.9285-1.9295	1.9245-1.9255
1 month	1.12-1.10pm	1.14-1.13pm
3 months	3.25-3.22pm	3.21-3.20pm
12 months	12.0-11.9pm	11.6-11.5pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug. 18	Previous
8.30 am	91.9	91.7
9.00 am	91.9	91.8
10.00 am	91.9	91.8
11.00 am	91.9	91.8
Noon	91.9	91.8
1.00 pm	91.9	91.7
2.00 pm	91.9	91.7
3.00 pm	91.9	91.8
4.00 pm	91.9	91.8

CURRENCY RATES

Aug 18	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.754459	0.722375
U S Dollar	3.00	1.45007	1.39346
Canadian $	5.50	1.73240	1.66756
Austrian Sch	7.50	14.9705	14.3234
Belgian Franc	8.50	N/A	41.9223
Danish Krone	9.50	8.21610	7.84797
D-Mark	8.75	2.12696	2.03515
Dutch Guilder	8.50	2.39784	2.29378
French Franc	10¼	7.21192	6.90251
Italian Lira	13.75	1615.02	1545.07
Japanese Yen	3.25	183.289	175.994
Norway Krone	-	8.40606	8.02634
Spanish Peseta	-	136.369	130.498
Swedish Krona	10.00	7.76222	7.41182
Swiss Franc	7.00	1.91192	1.83003
Greek Drach	19	N/A	251.548
Irish Punt	-	N/A	0.766227

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Aug.17

CURRENCY MOVEMENTS

Aug 18	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.9	-20.1
U.S Dollar	60.0	-18.7
Canadian Dollar	97.8	-3.2
Austrian Schilling	111.6	+13.2
Belgian Franc	113.5	-0.7
Danish Krone	111.7	+5.3
D-Mark	121.9	+27.3
Swiss Franc	109.8	+17.6
Dutch Guilder	116.7	+17.8
French Franc	106.2	-10.8
Lira	100.0	-19.3
Yen	137.4	+75.1
Peseta	108.3	-17.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Aug.17

OTHER CURRENCIES

Aug 18	£	$
Argentina	1.9100 - 1.9130	0.9900 - 0.9910
Australia	2.6780 - 2.6800	1.3875 - 1.3885
Brazil	8998.95 - 9004.20	4664.60 - 4664.90
Finland	7.7065 - 7.7295	4.0010 - 4.0040
Greece	345.200 - 350.700	179.050 - 181.910
Hong Kong	14.9130 - 14.9265	7.7325 - 7.7335
Iran	2757.00*	1435.00*
Korea(Sth)	1510.85 - 1535.20	788.50 - 794.70
Kuwait	0.56700 - 0.56800	0.29380 - 0.29410
Luxembourg	57.95 - 58.05	30.00 - 30.10
Malaysia	4.8165 - 4.8290	2.4990 - 2.5000
Mexico	5765.00 - 5779.50	3085.00 - 3086.00
N.Zealand	3.5830 - 3.5870	1.8570 - 1.8590
Saudi Ar.	7.1880 - 7.2650	3.7495 - 3.7505
Singapore	3.1030 - 3.1100	1.6095 - 1.6105
S.Af (Cm)	5.3355 - 5.3480	2.7665 - 2.7685
S.Af (Fn)	7.3370 - 7.3785	3.8025 - 3.8240
Taiwan	48.50 - 48.70	25.15 - 25.25
U.A.E.	7.0385 - 7.1155	3.6715 - 3.6735

*Floating rate. Iran Official rate £121.35 $63.25

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 18	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.498	-2.34	6.14	39
Portuguese Escudo	178.735	174.559	-2.34	6.13	38
Belgian Franc	42.4032	41.9223	-1.13	4.84	36
D-Mark	2.05586	2.03515	-1.01	4.71	40
Dutch Guilder	2.31643	2.29378	-0.98	4.68	29
Irish Punt	0.767417	0.766227	-0.16	3.82	-10
Danish Krone	7.84195	7.84797	0.08	3.58	-21
French Franc	6.89509	6.90251	0.11	3.54	-27
Italian Lira	1538.24	1545.07	0.44	3.20	-41
Sterling	0.696904	0.722375	3.65	0.00	-72

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Aug 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9280 - 1.9325	1.9290 - 1.9300	1.11-1.09cpm	6.84	3.25-3.22pm	6.71
Canada	2.3000 - 2.3140	2.3125 - 2.3135	1.00-0.95cpm	5.06	3.00-2.90pm	5.10
Netherlands	3.1650 - 3.1775	3.1650 - 3.1750	par-⅛cdis	-0.24	⅛-parpm	0.16
Belgium	57.95 - 58.10	57.95 - 58.05	3-2cpm	0.52	8-1pm	0.31
Denmark	10.8450 - 10.8750	10.8475 - 10.8575	⅜-1⅝oredis	-1.38	2-4⅛dis	-1.13
Ireland	1.0590 - 1.0630	1.0600 - 1.0610	0.06-0.03cpm	0.51	0.15-0.09pm	0.45
Germany	2.8100 - 2.8300	2.8100 - 2.8150	par-⅛pfdis	-0.27	⅛-parpm	0.09
Portugal	241.25 - 242.25	241.75 - 242.25	23-86cdis	-2.70	115-295dis	-3.39
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Aug 18	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Aug.18	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.929	2.812	243.5	9.542	2.530	3.170	2136	2.313	58.00	180.4	1.383
$	0.518	1	1.458	126.2	4.947	1.312	1.643	1107	1.199	30.07	93.52	0.717
DM	0.356	0.686	1	86.59	3.393	0.900	1.127	759.6	0.823	20.63	64.15	0.492
YEN	4.107	7.922	11.55	1000.	39.19	10.39	13.02	8772	9.499	238.2	740.9	5.680
F Fr.	1.048	2.022	2.947	255.2	10.	2.651	3.322	2239	2.424	60.78	189.1	1.449
S Fr.	0.395	0.762	1.111	96.25	3.772	1	1.253	844.3	0.914	22.92	71.30	0.547
N Fl.	0.315	0.609	0.887	76.81	3.010	0.798	1	673.8	0.730	18.30	56.91	0.436
Lira	0.468	0.903	1.316	114.0	4.467	1.184	1.484	1000.	1.083	27.15	84.46	0.647
C $	0.432	0.834	1.216	105.3	4.125	1.094	1.371	923.5	1	25.08	77.99	0.598
B Fr.	1.724	3.326	4.848	419.8	16.45	4.362	5.466	3683	3.988	100	311.0	2.384
Pta	0.554	1.069	1.559	135.0	5.289	1.402	1.757	1184	1.282	32.15	100.	0.767
Ecu	0.723	1.395	2.033	176.1	6.899	1.829	2.292	1544	1.672	41.94	130.4	1

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
104	-	-	-	0.05	0.60	-
105	0.97	-	2.54	0.12	0.88	1.03
106	0.31	1.45	-	0.42	1.27	-
107	0.07	0.98	1.48	1.18	1.77	-
108	-	0.61	-	-	-	-
Open int.	154,451	231,969	21,105	115,301	105,827	10,925

Estimated volume 37,060 † Total Open Interest N/A
† All Yield & Open Interest figures are for the previous day.

Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth	3-mth	6-mth	12-mth
1.9295	1.9185	1.8972	1.8655	1.8108

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

MONEY MARKETS

Futures dip sharply

STERLING futures dipped sharply in afternoon trading as the pound tested new lows against the D-Mark on the foreign exchanges. By the late evening, dealers were again becoming bearish about the currency's predicament, wondering whether it will force a rise in UK base rates in the immediate future.

The September short sterling contract was traded 3 basis points down from its previous close, at 89.66, in the morning.

UK clearing bank base lending rate 10 per cent from May 5, 1992

But sterling dropped momentarily below DM2.8100 in the afternoon and the contract fell another 3 basis points in heavy trading to close at 89.63. The December contract closed 8 basis points down from its previous close at 89.70.

Trade in Euro-Deutschmark futures was also volatile, due to fears of a possible rise in the Bundesbank's Lombard rate. Once again, dealers fear that the German central bank's council, which meets tomorrow, could spring a surprise and raise the emergency rate, especially if call money rises above the Lombard rate level. There is anxiety about the July figure for M3 money supply in Germany, due out tomorrow, which is certain to show the rate of money growth falling outside the Bundesbank's target zone.

The September contract in Euro-Deutschmark futures fell 5 basis points on these fears, bottoming out at 90.13 and closing at 90.14. The December contract finished the day down 6 basis points at 90.27.

The United Kingdom's higher-than-expected public sector borrowing requirement of £0.6bn had little impact on the market, as the poor state of the government's finances has already been discounted. Instead, trade in the sterling cash market was thin. The Bank of England forecast a small shortage of only £350m, and dealers said that they were content to go on dealing in small sums in the short dates. One-month money closed ⅛ per cent softer on the offered side at 9⅞ per cent and 3 month money was also softer at 10⅛ per cent offered from a previous close of 10¼ per cent.

The Bank of England did not intervene in the discount market in the morning. In the afternoon, the shortage was revised to £400m and the Bank bought £35m of Band 1 bank bills at 9⅜ per cent. There was late assistance of £220m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.18) 3 months US dollars		6 months US Dollars	
bid 3⅜	offer 3½	bid 3⅜	offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.91	Three year	4.56
Broker loan rate	5¼	Two month	3.00	Five year	5.44
Fed funds	3¼	Three month	3.14	Seven year	6.00
Fed funds at intervention	-	Six month	3.24	10-year	6.50
		One year	3.34	30-year	7.34
		Two year	4.01		

Aug. 18	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.70-9.80	9.75-9.85	9.75-9.85	9.80-9.90	9.80-9.90	9.75
Paris	9⅞-10⅛	9⅞-10⅛	10⅛-10¼	10⅛-10¼	10⅛-10¼	9.60
Zurich	7½-7¾	7¾-8⅛	-	8⅛-8⅜	-	-
Amsterdam	9.68-9.75	9.58-9.66	-	9.58-9.66	-	-
Tokyo	4⅛-4⅜	4⅛-4⅜	-	-	-	-
Milan	14⅞-15⅛	15⅛-15⅜	-	15¼-15⅝	-	-
Brussels	9⅜-9⅝	9⅝-9⅞	-	9⅝-9⅞	-	-
Dublin	10½-10¾	10½-10¾	10½-10¾	10½-10¾	10½-10¾	-

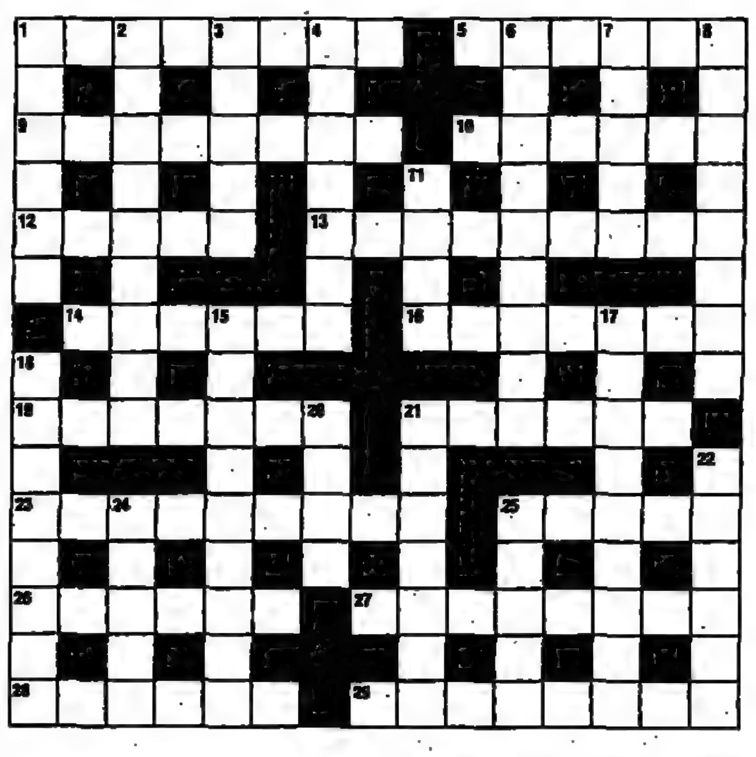
LONDON MONEY RATES

Aug 18	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	10⅛	10⅛	10¼	10⅛	10⅛
Interbank Bid	9½	9⅞	10	10	10	10
Sterling CDs	-	-	9⅞	10⅛	10	10
Local Authority Deps.	9⅝	9¾	9⅞	10⅛	10	10¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	9¾	9⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	10⅛	10⅛	10¼	10¼
Treasury Bills (Buy)	-	-	9⅞	9⅞	9⅞	-
Bank Bills (Buy)	-	-	9⅞	9⅞	9⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.28	3.28	3.33	3.46
SDR Linked Dep Offer	-	-	6⅛	6⅛	6¼	6⅜
SDR Linked Dep Bid	-	-	5⅞	6	6⅛	6⅛
ECU Linked Dep. Offer	-	-	11	11	11	10⅞
ECU Linked Dep Bid	-	-	10⅝	10⅝	10⅝	10⅝

Treasury Bills (sell): one-month 9⅝ per cent; three months 9⅝ per cent; six months 9⅝ per cent; Bank Bills (sell): one-month 9⅝ per cent; three months 9⅝ per cent. Treasury Bills; Average tender rate of discount 9.6344 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1992. Agreed rates for period August 26 1992 to September 22, 1992, Scheme I 11.27 p.c., Schemes II & III: 11.46 p.c. Reference rate for period July 1, 1992 to July 31, 1992, Scheme IV&V: 10.188 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from August 1, 1992. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent. Under £100,000 7 per cent from May 6, 1992. Deposits withdrawn for cash 5 per cent.

CROSSWORD

No.7,929 Set by ADAMANT



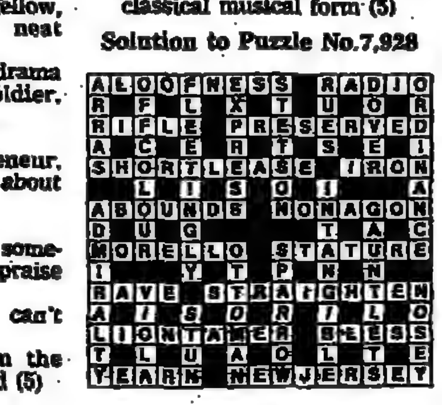
ACROSS

1 Relating to a version of the eternal shape (8)
5 Put paid to drink (6)
9 The training of animals will come into line with time (8)
10 Admit the churchman has no way to take one in an embrace (6)
12 Up to the time the international body backfired (5)
13 There is one sect able to produce people practising chastity (9)
14 Make a poor hand of revising the laws about credit (6)
16 Sketch the site of the love shrine in the twilight (7)
19 Told a story concerning the family (7)
21 Get in a group with theologian left in the shade (6)
23 A sluggish creature, part dog, so a mongrel (9)
25 Caught the young horse, an outsider, at the central point (5)
26 Get the better of the fellow, originally on strike – neat ending! (6)
27 Stealing the words of a drama about an American soldier, turned artist (8)
28 Run a second edition (6)
29 An aggressive entrepreneur, George got into trouble about race (2-6)

DOWN

1 Beethoven's second in somewhat muted hymn of praise (2,4)
2 Just the same, I lied – can't change that! (9)
3 Belonging to an organ the space agency left behind (5)
4 Having good reason to find the soldier in the pub (7)
6 Packing the wag some provisions (9)
7 Brown bread for good health (5)
8 Generous workers have nothing on me (8)
11 Familiar policeman could put his foot down (4)
15 Time of day for the prime minister initially (9)
17 Not eager to give uncle tart review (9)
18 The products of prohibition? (3,5)
20 Information could be good enough to pass on price/earnings ratio (4)
21 Spanish gentleman concealed gaol break-out (7)
22 Musician for each song included (6)
24 Dissecting trays for a butterfly (5)
25 Smoky atmosphere and blues not being consonant with classical musical form (5)

Solution to Puzzle No.7,928



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WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Aug 17	Aug 14	Aug 13	Aug 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
◆Industrials	3324 89	3328 94	3313 27	3320 83	3413 21 (1/6)	3172 41 (2/1)	3413 21 (1/6/92)	41 22 (2/7/32)
Home Bonds	102 33	102 43	102 29	102 38	102 43 (14/8)	98 41 (20/3)	102 43 (14/8/92)	54 99 (1/10/81)
Transport	1272.42	1257 38	1244 06	1249 62	1467 68 (20/2)	1244 06 (13/8)	1532 01 (5/9/89)	12 32 (8/7/32)
Utilities	218 89	219 33	218 83	219 45	225 59 (3/1)	200 74 (8/4)	236 23 (2/1/90)	10 50 (8/4/32)

◆Day's High 3350 28 (3342 18) Low 3310 03 (3300 84)

STANDARD AND POOR'S

	Aug 17	Aug 14	Aug 13	Aug 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	420 74	419 91	417 73	417 78	425 09 (3/8)	394 50 (8/4)	425 09 (3/8/92)	4 40 (1/6/32)
Industrials	493 56	492 90	490 46	490 33	499 51 (3/8)	470 91 (8/4)	499 51 (3/8/92)	3 62 (21/6/32)
Financial	36.38	36 43	36 14	36 27	36 66 (3/8)	32 40 (8/4)	36 66 (3/8/92)	8 64 (1/10/74)
NYSE Composite	231 60	231 06	229 95	229 99	233 66 (3/8)	217 92 (8/4)	233 66 (3/8/92)	4 46 (25/4/42)
Amex Mkt Value	386 94	386 82	386 73	386 46	418 99 (12/2)	374 04 (26/6)	418 99 (12/2/92)	29 31 (9/12/72)
NASDAQ Composite	572 47	573 18	570 99	570 85	644 92 (12/2)	547 84 (26/6)	644 92 (12/2/92)	54 87 (31/10/72)

	Aug 14	Aug 7	Jul 31	year ago (approx)
Dow Industrial Div Yield	3 11	3 12	3 07	3.08

	Aug 12	Aug 5	Jul 29	year ago (approx)
S & P Industrial div yield	2 62	2 59	2 59	2 70
S & P Indl P/E ratio	29 00	29 34	29 31	21 31

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Global Mar	2,575,400	2¼	+ ⅛
Citicorp	2,042,600	18⅝	- ⅛
NationsBank	1,734,600	47	
Toys R Us	1,659,300	36⅞	+ 1
Lowe's Con	1,659,200	18	- ⅝
First Inter	1,511,500	37½	- ¼
GTE Corp	1,409,100	35⅜	+ ⅛
RJR Nabisco	1,356,300	8⅞	..
Chase Man	1,323,000	24⅝	.
K Mart	1,249,500	24½	- ¼

TRADING ACTIVITY

† Volume Millions	Aug 17	Aug 14	Aug 13
New York SE	152 750	166 180	185.700
Amex	12.877	10 942	9.931
NASDAQ	132 562	145 646	143 183
NYSE			
Issues Traded	2,333	2,316	2,315
Rises	967	1,101	800
Falls	765	594	908
Unchanged	601	621	607
New Highs	91	76	79
New Lows	15	31	36

CANADA

TORONTO	Aug 17	Aug 14	Aug 13	Aug 12	1992 HIGH	1992 LOW
Metals & Minerals	3007 99	2973 02	2952.37	2948.27	3238 87 (16/1)	2828.26 (8/4)
Composite	3379 78	3368 47	3360.50	3377 80	3666.00 (16/1)	3318 10 (8/4)
MONTREAL Portfolio	1768.96	1762 72	1757 17	1769 15	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000 Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities Financial and Transportation. (c) Closed (u) Unavailable.

	Aug 18	Aug 17	Aug 14	Aug 13	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1565 0	1559 0	1549 0	1568 4	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	673 2	671.0	669 9	681.3	736 80 (3/7)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	307.37	310.03	296 27	291 41	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	727.38	733.51	696 08	682.96	1099 43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1092.74	(c)	1093 45	1090.26	1235 40 (2/6)	1090 26 (13/8)
DENMARK						
Copenhagen SE (3/1/83)	296.09	297 48	294 12	293 16	365.29 (15/1)	293 16 (13/8)
FINLAND						
HEX General (28/12/90)	650 5	655.1	655.9	662.7	935 90 (24/2)	650.50 (18/8)
FRANCE						
CAC General (31/12/82)	477 15	482.22	472.49	474 03	565 93 (12/5)	472.49 (14/8)
CAC 40 (31/12/87)	1736 72	1757.31	1753 46	1722.36	2077 49 (11/5)	1722.36 (13/8)
GERMANY						
FAZ Aktien (31/12/58)	606.58	615.23	612.76	607 78	725 26 (26/5)	606 58 (18/8)
Commerzbank (1/12/53)	1714 4	1739.40	1732 1	1716 0	2043 80 (25/5)	1714 40 (18/8)
DAX (30/12/87)	1533.22	1555 42	1547 80	1540 98	1811 57 (25/5)	1533 22 (18/8)
HONG KONG						
Hang Seng Bank (31/7/64)	5675.16	5667.85	5822.59	5857 11	6162.53 (16/7)	4301 78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1245.46	1248.92	1241.02	1230.57	1469.57 (17/1)	1230 25 (12/8)
ITALY						
Banca Com Ital (1972)	400 77	403 43	393 70	398 28	551.59 (6/2)	393 70 (14/8)
MIB General (2/1/92)	787 0	792.0	773 0	783 0	1086 00 (5/2)	773 00 (14/8)
JAPAN						
Nikkei (16/5/49)	14309 41	14929 55	14820 25	14768 17	23801 18 (6/1)	14309 41 (18/8)
Tokyo SE (Topix) (4/1/68)	1102.50	1132.51	1123 13	1117 50	1763 43 (6/1)	1102 50 (18/8)
2nd Section (4/1/68)	1515 46	1528 16	1525 47	1530 86	2459 85 (6/1)	1515 46 (18/8)
MALAYSIA						
KLSE Composite (4/4/86)	556 24	568.25	581.94	592 18	619 06 (20/2)	546 63 (14/1)
NETHERLANDS						
CBS Ttl Rtn Gen (End 1983)	285 9	288.3	287 6	285.3	314 90 (9/6)	274 00 (8/1)
CBS All Shr (End 1983)	195.2	196.9	196.4	194 9	215.50 (26/5)	192 40 (8/1)
NORWAY						
Oslo SE Ind (2/1/83)	612.09	621.19	620.19	614 84	772 74 (18/5)	612.09 (18/8)
PHILIPPINES						
Manila Comp (2/1/85)	1523 68	1519 85	1520 17	1491.46	1580 95 (11/6)	1083 01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	354 93	361.34	362.65	370.45	416 99 (21/1)	354 93 (18/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	942 04	964.0	936 0	937.0	1327.00 (21/1)	936.00 (14/8)
JSE Industrial (28/9/78)	3983.04	4003.0	3973 0	3997 0	4689 00 (4/6)	3973 00 (14/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	464 95	462 13	478 90	488.25	691 48 (8/2)	462.13 (17/8)
SPAIN						
Madrid SE (30/12/85)	208.66	209.08	207.58	205 49	266.51 (28/2)	205 49 (13/8)
SWEDEN						
Affarsvariden Gen (1/2/37)	808.30	820 70	823 2	816.5	1014.50 (11/5)	808 30 (18/8)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	833 9	841 8	836 8	833 8	883 40 (11/5)	748 50 (8/1)
SBC General (1/4/87)	622.8	628 9	625.5	624 1	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	3772.91	3784 48	3914.90	3893.34	5391 63 (30/1)	3772.91 (18/8)
THAILAND						
Bangok SET (30/4/75)	749.83	746.35	754 48	756.26	832.39 (7/4)	667 84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) (S)	481.0-	485.5	483 1	479 8	542 10 (7/1)	467 50 (8/4)
Euro Top-100 (26/6/90)	822 49	832.16	827 35	818 08	976.56 (25/5)	818 08 (13/8)

**Saturday August 15. Taiwan Weighted Price 3926.38, Korea Comp Ex. (c)
& Subject to official recalculation. *Calculated at 15 00 GMT.
Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255 7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday, August 18, 1992

	Stocks Traded	Closing Prices	Change on day
Nippon Jutaki	12.9m	167	+ 27
Nippon Steel	2.2m	234	-11
Nomura Sec	2 1m	1,140	-70
Meiji Milk	2 1m	745	-26
Yasuda F&M Ins	2 1m	672	+ 17
Tokio M&F Ins	2.1m	1,000	+ 20
Jpn Mtl & Chem	2.1m	388	-28
Okamoto Inds	2 0m	871	-64
Toshiba Corp	1 8m	547	-17
Takeda Chem	1.7m	981	-49

3:00 pm prices August 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11⅞	AAR Corp	0.48	3.8	20	56	12⅛	12⅛	12⅛	+⅛
20	18	A L Labs A	0.16	0.9	69	30	19¼	19½	19½	-⅛
68¼	52⅝	AMP Inc	1.52	2.8	21	486	54¼	54	54¼	
80¼	58⅞	AMR			21	4377	60¼	58¼	59	-⅞
2¼	1⅛	ARX			2	13	1⅛	1⅛	1⅛	-⅛
53½	37	ASA x	2.00	5.5	24	538	37¼	d35⅝	36¼	-⅞
34¼	28⅛	Abbott Lab	0.60	1.9	22	7548	31⅜	30¾	31	+¼
13⅞	12	Abitibi Pr	0.50	3.9	6	5	12⅛	12⅛	12⅛	
11⅝	10⅛	ACM Gvt In	1.08	9.7		95	11¼	11⅛	11⅛	
10½	9¼	ACM GvOpp x	0.92	9.3		100	9⅞	9⅝	9⅞	+⅛
9½	8½	ACM Gvt Sp	0.82	8.9		380	9⅛	9¼	9¼	-⅛
11¼	10⅛	ACM Gvt Se	0.96	8.8		130	11	10⅞	10⅞	
10¼	8⅝	ACM Man x	0.98	9.7		402	10⅛	10	10⅛	
12⅞	10⅝	ACM Managd x	0.99	9.2		277	10⅞	d10⅝	10¾	
11¼	4⅝	Acme Cleve x	0.40	5.7	13	55	7⅛	6⅞	7	
6¼	4⅞	Acme Elect			4	7	5	4⅞	4⅞	
33¼	18	Acuson			12	474	18¼	d18	18¼	
19½	18⅛	Adams Expr x	0.48	2.5	0	57	19	18⅞	19	+⅛
49⅛	29½	Ad Micro	3.00	8.4		47	36	35¼	35⅞	-⅛
21½	7½	Ad Micro P	3.00	33.8	3	1904	9	8⅞	8⅞	-¼
9¼	5	Advest Grp	0.16	3.0	76	125	5⅛	5¼	5⅜	
37¼	33	Aegon ADR	1.68	4.5	7	5	37¼	37¼	37½	
47	38⅛	Aetna Ll	2.76	6.4	11	1727	43	42½	42⅞	-1⅛
12⅞	8⅛	AMI A x	0.24	2.1	14	188	11⅜	11⅝	11⅝	-⅛
34	24	Aflac x	0.44	1.3	16	1145	33	32⅞	32⅞	-¼
19⅞	15⅛	Ahmanson x	0.88	5.5	7	3391	16⅛	16	16	-⅛
22½	5⅝	Aileen Inc			5	86	5¼	d5⅝	5¼	
49½	36½	Air Pr Chm	0.86	2.0	18	1313	42⅛	41¾	42⅛	+½
28⅞	12½	Airbrne Frt x	0.30	2.4	24	73	12⅞	12⅝	12⅝	-⅛
34¼	22⅞	Airgas Inc			26	120	31⅝	31¼	31½	-¼
12⅞	8¼	Airlease	1.68	14.5	6	48	11⅜	11½	11⅝	
104	98½	AlaPw6 16	8.16	7.9		z100	u104	104	103	-1
106½	101½	Alab Pw 9P	9.00	8.6		z100	103½	103½	104½	+1
105	100¼	Alab 8 28C	8.28	8.0		z100	104½	104½	104	-½
11¼	10½	AlaPwDpPf	0.87	8.0		28	10⅞	10¾	10⅞	+⅛
23⅞	17⅛	Alaska Air	0.20	1.1	9	376	18½	18⅛	18⅜	-¼
21¼	13⅞	Albany Int	0.35	2.4	57	29	15⅛	14⅞	14⅞	-⅛
32	21¼	AlCulvr B	0.24	1.0	18	42	24¼	23¾	24½	+¼
25¾	19⅝	AlCulvr A	0.24	1.1	20	35	22⅝	22¼	22⅝	+⅛
44⅞	36¼	Albertsons	0.64	1.6	21	575	41⅛	40⅝	41	-¼
22¼	18⅝	Alcan Alum x	0.30	1.6	47	199	19⅛	19	19⅛	
42⅝	30⅛	Alco Stand x	0.92	2.6	18	336	35⅞	35½	35¾	+0.93
23⅛	15⅜	AlexBrown	0.40	2.5	4	434	16⅛	16	16⅛	-¼
25¼	18	Alex Alex	1.00	4.2	99	54	24	23⅞	23⅞	-⅛
36⅝	27½	Allegh Lud	0.88	2.8	23	525	31⅞	31⅞	31¼	+⅞
48	41½	Allegh Pow	3.20	6.7	12	241	u48	47⅞	47⅞	-⅛
31	22⅛	Allen Gp	1.75	6.2		153	28	27¼	28	+½
30	18⅞	Allen Con	0.20	0.9	15	263	23⅛	23	23¼	+¼
27¼	20⅝	Allergan	0.40	1.6	17	868	24½	24¼	24¼	
38¼	29½	Allnce Cap	2.40	7.0	13	297	34¾	34⅛	34¼	-½
12½	8½	Allnce Gl	0.18	1.8		40	9¾	9⅝	9¾	+⅛
21⅛	18¼	Ald Irish	0.82	4.2	121	4	19¾	19½	19½	-½
61⅛	40⅞	Alld Sig x	1.00	1.9	45	1902	53⅞	53½	53⅝	-¼
11¼	9⅞	AlstMunTr	0.75	6.7		188	u11¾	11⅛	11⅛	
9⅞	9	AlstIncOp	0.72	7.8		333	9⅜	9¼	9¼	
10½	9¼	AlstMnInc	0.72	7.2		53	10	9⅞	10	+⅛
10⅛	9½	AlstMnInc	0.60	6.0		116	10	10	10	-⅛
40⅞	34¼	Alltel Crp	1.48	3.6	17	1081	u41⅛	40⅞	41⅛	+¼
8⅛	5½	Allwaste			18	280	6⅛	5⅞	6	-⅛
80⅝	61	Alcoa	1.60	2.4	25	13086	68⅜	67½	68	
55⅛	38⅞	Alza Cp A			70	572	48⅞	48½	48⅝	-⅛
11½	10¼	AmGovInc	1.02	9.1		207	11¼	11⅛	11¼	
8½	6¼	Am Precis	0.22	3.3	15	3	6⅞	6⅞	6⅝	
23⅛	16½	Amax x	0.80	4.4	46	1066	18⅛	18	18	-⅛
12½	8½	Amax Gold x	0.08	0.8	30	200	9½	9⅜	9½	-⅛
[illegible]	[illegible]	Ambase Cp			0	1080	[illegible]	[illegible]	[illegible]	[illegible]
25	14	Amcast Ind	0.48	3.4	10	482	14¾	14⅛	14⅛	-½
49¼	36⅝	Amerada Hs	0.60	1.2	50	1105	48⅛	47⅞	48⅛	-¼
10⅞	10	Am Adj R	0.78	7.5		187	10½	10⅜	10⅜	-⅛
30¼	22⅛	Am Barrick	0.11	0.4	34	352	27⅝	27¼	27⅞	-⅜
33½	31⅛	Am Br2.75	2.75	8.6		6	32	32	31⅞	-⅛
49⅞	42¾	Am Brands	1.75	3.7	11	940	47¼	46¾	47⅛	+⅛
20¼	15¾	Am Build M	0.50	2.9	12	25	17¼	17¼	17¼	-⅛
31¼	22¾	Am Bus Prd	0.70	2.6	14	16	27	26⅛	27	+½
8½	7⅛	Am Cap Inc x	0.64	9.6		366	u8½	8¼	8½	+¼
21	18¾	Am Cap Bd	1.68	8.0	36	80	u21⅛	20¾	20⅞	-⅛
20¼	18½	Am Cap CV	1.24	6.2	0	30	19⅞	19¾	19⅞	+¼
66⅜	53	Am Cyanamd	1.65	2.7	14	776	60⅞	60½	60⅞	+¼
36⅛	30⅜	Am El Powr x	2.40	7.3	13	3983	33⅛	32⅞	32⅞	-¼
24⅝	20⅛	Am Express	1.00	4.5	13	4588	22½	22⅛	22¼	-⅛
50⅜	40¼	Am Genl Co	2.08	4.2	11	226	49⅞	49¼	49⅞	
9⅛	8	Am Govt In	0.77	8.6		155	u9⅛	8⅞	9	+⅛
37	25⅝	Am Hlth Pr	2.71	10.5	12	3655	25⅞	d24⅛	25⅞	-⅛
32¼	23	Am Heritge x	0.84	2.7	15	5	30⅝	30¼	30¼	
84¼	66⅛	Am Home Pr x	2.60	3.4	18	3240	76⅛	75½	76	+⅛
3⅞	1⅞	Am Hotels	0.75	37.5	9	2	1⅞	d1⅞	2	
98⅞	82	Am Int Gr	0.56	0.6	12	2492	96⅞	96¼	95⅜	-¼
2⅛	[illegible]	Am Intrnl			0	277	[illegible]	[illegible]	[illegible]	[illegible]
8¼	1¼	Am Ind Pf	2.00	106.7		53	1⅞	d1⅞	1⅞	
12½	10⅜	Am Opp Inc	1.14	9.6		277	11⅞	11⅛	11⅞	+⅛
48	30¼	Am Presdt x	0.60	1.3	8	129	44¼	44½	44⅝	
10⅞	7⅛	Am Real Es	1.50	19.7	5	144	7⅝	7½	7⅝	
3½	1⅝	Am Shp Bd			3	67	1⅞	d1⅝	1⅞	+⅛
38½	30½	Am Stores	0.70	1.9	11	961	38¼	37⅞	37¾	-½
44⅞	38⅝	AT&T	1.32	3.1	92	7950	43½	43¼	43¼	-⅛
18½	18½	Am Watr 5%	1.25	6.9		2	18	18	18	-½
28⅛	20⅝	Am Watr	0.92	3.9	10	158	23⅛	23	23⅛	+⅛
70	48¼	Ameritech	3.52	5.0	14	1645	u70½	69¾	70½	+⅜
38½	29	Ameron Inc	1.28	3.9	16	6	33¼	32¾	32⅞	-½
2¼	[illegible]	Ames Dt St			0	29	[illegible]	½	[illegible]	[illegible]
18⅝	13⅛	Ametek Inc	0.68	4.5	15	195	15⅜	15¼	15¼	-⅛
11⅞	10⅞	Amev Sec	1.02	8.7	1	46	11¼	11⅝	11⅜	
51¼	41¾	Amoco x	2.20	4.3	10	25360	51⅜	50	51¼	+⅜
8⅞	6½	AmpcoPitt	0.30	4.4	10	7	6¾	6¼	6⅞	
12⅛	4⅜	Amre Inc	0.12	2.5	21	54	4⅜	d4¼	4⅜	
31⅛	21¼	Amsouth	1.04	3.6	12	1118	28⅝	28½	28½	
5⅜	3⅛	Anacomp			8	548	3⅜	3¼	3⅜	
29⅛	18½	Anadarko	0.30	1.1	93	4844	28	27⅝	28	+⅜
11⅛	8⅝	Analog Dev			100	606	10	9⅞	10	
40	28⅛	Angelica	0.92	3.1	12	265	30⅝	29¼	29¼	-1⅝
60¼	51¼	AnheBsch x	1.28	2.3	16	2389	55⅛	54¾	55	+⅛
28	25¼	ANR PpePf x	2.68	10.6		2	25½	25½	25¼	-¼
47¼	33⅞	Anthem			14	587	33⅞	d32⅛	32½	-1⅝
14¼	10	Anthony In	0.44	3.9	14	3	11⅛	11⅛	11⅛	+⅛
49¼	39⅛	Aon Corp	1.68	3.6	11	583	46⅛	45¾	46⅛	+¼
19½	12	Apache Crp	0.28	1.4	20	958	19⅜	19¼	19⅞	+⅛
11¼	10¾	Apex Mun F x	0.90	8.1		228	11⅛	11	11⅛	+⅛
10⅝	6	APH			100	129	6¾	6⅝	6⅝	
102	98½	AppalPwPf	8.12	8.0		z100	101½	101½	102	+1½
8⅝	5⅛	Appld Mag			2	129	6⅞	5¾	5⅞	
31¼	22	ArcherDan	0.09	0.4	15	4781	25½	25⅛	25¼	-⅛
47¼	36⅝	Arco Cheml	2.50	5.7	22	25	43¾	43⅜	43⅝	-¼
14¼	5⅞	Arc Alask			15	313	14⅛	13⅞	14	
12⅛	6⅞	Arkla x	0.28	2.7	258	688	10⅜	10⅛	10¼	+½
39	29½	Arkla Pf x	3.00	7.9		25	38	37¼	38	+2½
48¼	32½	Armco 4.5P	4.50	9.9		11	48	45½	45½	-½
7⅜	4⅛	Armco Inc			1	302	6⅞	6¾	6⅞	
26	19	Armco 2.1P	2.10	8.5		10	24¾	24¼	24¼	
37½	28	Armstrong	1.20	4.0	26	1022	30	29½	29⅞	+⅛
34¼	25	Arrw El Pf	1.94	5.5		32	u35	34½	35	+½
22⅝	14½	Arrow Elec			38	711	u22¾	22¼	22⅝	+¼
11¼	4½	Artra Grp			1	5	6½	6½	6½	
28½	20⅛	Arvin Ind	0.88	2.3	20	842	u29½	29¼	28⅝	
31⅛	19¾	Asarco Inc x	0.80	2.9	32	519	27⅞	27⅜	27⅝	+⅛
38	22¾	Ashld Coal	0.40	1.6	11	8	25½	25⅜	25⅜	
34	23¼	Ashlnd Oil x	1.00	4.1	12	1731	24⅝	24⅛	24¼	-¼
17	12¼	Asia Pac F	1.82	12.8		188	14⅜	14¼	14¼	-¼
14¼	7½	Asset Invr	2.35	30.3	4	493	8	7¾	7¾	-¼
35	18⅛	Ass Nt Gas	0.12	0.4	41	117	27¾	27⅜	27⅝	-¼
16½	12¾	Athlone	1.00	7.1	16	19	14⅛	14	14⅛	+⅛
281¼	235⅝	Atl Rich 2 x	2.80	1.0		z100	275⅛	275⅛	271⅞	
38¼	30¼	Atlnta Gas x	2.08	5.5	16	121	37¾	37½	37¾	+¼
8¾	4½	Atlnta Sos	0.40	8.0	11	5	5⅛	5	5	-⅛
24⅞	19½	Atlntc Egy	1.52	6.4	11	257	24	23⅞	23⅞	-⅛
119¼	98⅛	Atl Rich x	5.50	4.8	30	1052	115⅜	114⅜	114¾	-⅝
7	4	Atlas			27	99	4½	4⅞	4⅞	-⅛
23	19	Atmos Engy	1.24	5.7	15	14	21⅞	21½	21⅞	+⅛
13⅞	10⅛	Atwds ADR	0.50	4.8	10	1543	10¾	10½	10½	-¼
10¼	4⅜	AudioVid			14	55	6⅜	6⅝	6⅝	+⅛
12⅜	8½	Augat	0.40	3.3	10	591	12	11⅝	12	
10⅝	7⅛	Austria Fd	0.13	1.7		153	7⅝	7⅛	7½	-⅛
49	38¾	Autom Data	0.46	1.0	24	1222	44¾	44	44⅛	-⅛
4⅛	2¼	Avalon Egy			2	52	2½	2½	2½	
28	24¼	Avemco	0.40	1.6	26	21	24¾	24½	24¾	
30	23½	Avnet Inc	0.60	2.1	19	77	28⅜	28¼	28¼	-⅛
53⅞	44	Avon Prods x	1.60	3.1	23	690	51⅞	51	51¼	+¼
28⅞	15	Aydin Corp			8	130	16¼	15½	15½	-⅝
		- B -								
43¼	35½	BCE	2.18	5.7	10	212	38½	38¼	38¼	-⅛
15⅛	7¼	BET ADR x	0.53	5.7	7	40	9½	9⅜	9⅜	+⅛
8¼	6⅛	Balmco	0.20	2.7	15	3	7½	7½	7½	-⅛
19⅛	17	Baker Fent	1.72	9.2		30	18¾	18⅝	18⅝	-⅛
24⅛	15⅞	Baker Hugh	0.46	2.0	98	1234	22¾	22⅜	22¾	
27⅞	22⅛	Baldor Elc	0.52	1.9	21	25	u28	27⅝	27⅝	-⅛
39½	31¾	Ball Corp	1.24	3.7	14	507	33⅝	33⅛	33⅝	+⅝
8⅛	4⅛	Bally Mfg			9	1511	5⅝	5¼	5⅜	-⅜
24⅞	19¾	Baltim G&E	1.44	6.1	17	850	23¾	23⅝	23¾	+⅛
9¾	4½	Balt Bnkcp	0.60	8.0	0	242	7⅝	7⅜	7½	
60	42⅛	Banc One	1.28	2.9	13	2141	43⅞	43⅝	43⅞	
9⅝	2¾	BancFlrda			3	14	9	9	9	
30	23½	BancoBil V	1.21	5.1	5	6	23½	d23⅛	23½	-⅝
18⅝	15½	BancoCentH			3	2	15⅞	d15⅜	16⅛	-⅛
92	41⅜	BcpHawaii x	1.29	2.8	10	238	46⅜	46	46⅛	-¼
73¼	56¼	Bandag Inc	0.60	0.9	22	277	70⅞	70⅛	70¼	-⅛
49⅞	35⅝	BankAmrca x	1.30	2.9	9	3902	45⅛	44⅝	44¾	+0.55
75	55	Bank Bost	5.60	7.5		17	u75¼	74	75	+½
25¼	11¾	Bank Bostn	0.40	1.7	9	1372	23¾	23½	23⅝	-⅛
44⅜	31	Bk Bostn P	3.20	7.2		z100	44¼	44¼	44⅜	
43⅞	30	Bank New Y	1.52	3.5	11	818	43¼	42⅞	42⅞	-¼
47⅝	42½	BankAm A x	3.25	7.0		27	47⅛	46⅝	46⅞	-⅜
83¾	72¾	BankAm B x	6.00	7.4		40	81⅝	81⅜	81⅝	+⅛
66½	50	Bankers Tr	2.80	4.4	7	1214	63⅜	62⅞	63	+⅛
30½	20⅝	Barcls ADR x	2.07	8.9	20	311	23⅞	23¼	23¼	-⅞
34	22½	Bard (C R)	0.52	1.7	24	1253	30⅛	29½	30	+¼
38½	28¾	Barnes Grp	1.40	4.8	14	36	29	28⅞	28⅞	
40½	31	Barnett Bk	1.32	3.5	16	487	37¼	37⅝	37¼	
8¾	4⅞	Barold	0.20	3.1	30	366	6½	6⅜	6½	-⅛
8⅝	5⅞	Battle Mt	0.10	1.6	36	2026	6¾	6¼	6¼	-⅛
60¼	44½	Bausch Lmb	0.80	1.6	31	484	49⅝	49¼	49⅛	
40½	32⅛	Baxter	0.86	2.2	17	1888	38¼	38	38⅛	+¼
24⅞	20¾	Bay St Gas x	1.38	5.6	16	106	24⅜	24⅜	24¾	
25⅜	21⅞	Bd Tr 1838	1.82	7.2		3	25¼	25⅛	25⅛	
19¾	15	Bear Strns x	0.60	3.8	5	1601	16⅛	16	16	-⅛
46	43⅞	BearStPfA	3.25	7.1		z100	45½	45½	45½	
23¼	17⅞	Bearings x	0.64	3.5	75	51	18⅜	17⅞	18⅛	-⅛
22½	17⅞	Beckman In x	0.32	1.6	14	541	20⅜	19⅞	20⅛	+¼
78⅞	64⅛	Becton Dks	1.20	1.6	16	489	78⅝	78¼	78¼	-⅛

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NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
82¼	66½	Xerox	3.00	4.0	16	796	75⅞	75¼	75¼	-⅛
53½	50½	Xerox4.125				27	53	52¾	53	
32½	24⅞	Xtra 1.94 x	1.94	5.9		143	u33	32¾	32¾	+⅛
44⅞	28½	Xtra Corp x	0.80	1.8	13	354	u45⅛	44⅛	44¾	+⅝
29½	25⅛	Yankee Egy	1.66	5.7	13	22	29¼	28⅞	29¼	+⅛
1½	½	Zapata			25	51	1	1	1	-⅛
11⅛	6⅜	ZenithElec			4	513	6⅝	d6⅜	6⅝	+⅛
19½	14½	Zenith Nat	1.00	5.6	6	12	18	17⅞	17⅞	
7½	6	Zenix Inc x	0.82	11.5		163	7¼	7⅛	7⅛	+1/16
13¾	10	Zero Corp	0.40	3.2	19	38	12⅞	12¼	12⅝	+⅛
38	27¾	Zurn Ind	0.88	2.8	34	129	31½	31	31½	+⅛
14⅛	12	Zweig Fund	1.12	8.5		125	13⅛	13	13⅛	
11	9½	Zweig Tot x	0.96	9.1		377	10½	10⅜	10½	

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices August 18

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Perini	0.80	21	6	11⅞	11⅜	11⅜	
Pet Ht&P	1.14	17	24	16	16	16	
Phil LD	0.21	17	105	41⅜	41¼	41¼	-⅛
Pittway A	1.10	16	10	30⅞	30⅞	30⅞	
Py Gas x	0.12	21	27	10¼	10	10	-⅛
PMC	0.86	15	35	10⅛	10⅛	10⅛	-⅛
PresidioA	0.10	0	27	1¾	d1⅝	1⅝	-⅛
Bowmar		9	40	1⅝	1⅝	1⅝	
Bowne	0.25	11	34	17	16¾	16¾	-⅜
Brascan A	0.88	25	30	14⅞	14⅝	14⅞	+⅛
BSN Corp	0.16	10	48	6	6	6	-⅛
Cal Engy		14	680	12	11⅞	12	
Calprop		0	5	1⅛	1⅛	1½	+⅛
Can Marc	0.23	9	20	13½	13⅜	13⅜	
Chmbra A		9	398	8¼	8⅛	8¼	
Chambers		10	33	8⅜	8¼	8¼	
Champion		36	20	3⅝	3⅝	3⅝	
Chiles		0	238	1⅛	1⅛	1⅛	
Giant FdA	0.68	15	430	20⅛	20	20¼	+⅛
Glatfltr	1.40	15	35	23½	23⅛	23⅛	-½
Goldfield		1	30	5/16	5/16	5/16	
Greenman		6	2	5¼	5¼	5¼	
Gulf Cda	0.34	5	97	4 3/16	4 1/16	4 3/16	-⅛
Hasbro	0.20	19	678	30⅞	29¾	30⅛	-½
Health Ch		8	16	1½	1½	1½	
Healthvst		175	10	1⅞	1⅞	1⅞	
Heico Cp	0.15	17	4	12¾	12¾	12¾	
Hillsrvon		3	1251	2⅜	2⅜	2⅜	
Nat Patnt		2	267	3⅛	3	3⅛	
New Line		20	12	11	10⅞	11	
NY TimesA	0.56	34	110	29⅛	29	29⅛	-⅛
NthCanOil	0.17	65	27	13	12⅞	12⅞	-⅛
Numac O&G		2	21	4⅛	4⅛	4⅛	-1/16
NV Ryan		0	33	7/16	7/16	7/16	-1/16
Odetics A		33	3	5¼	5¼	5⅜	
Oilgear x	0.32	27	18	30⅜	30⅜	30⅜	-⅛
OMI Corp	0.14	7	z0	0	d0	8⅝	
Pall Corp	0.36	27	928	26¼	25⅞	26⅛	
Pegasus G	0.10	32	118	14⅝	14½	14½	-⅛
UnivPtnts		38	6	11⅛	11	11	
US Cellul		92	55	19⅜	19⅛	19⅜	-⅛
Vivigen		49	109	13¼	13	13¼	+⅛
WangLab C		0	198	2⅛	d2	2	
WangLab B		0	31630	1⅝	d⅝	⅝	
Weatherfd		17	576	6¼	6⅛	6⅛	
Westamer	0.52	8	14	19½	19¼	19¼	-¼
WIRET	1.12	17	72	12⅞	12¾	12¾	-⅛
Worthen x	0.10	9	24	21⅞	21½	21½	-⅜
Xytronix		8	141	8⅛	7⅞	7⅞	-½

NASDAQ NATIONAL MARKET

3:00 pm prices August 18

[illegible]

AMERICA

Interest rate hopes assist in Dow recovery

Wall Street

HOPES of another cut in interest rates enabled US stock markets to recover from early losses caused by another big drop in Tokyo share prices and an unexpectedly weak July housing report, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 6.21 at 3,331.10. The more broadly based Standard & Poor's 500 was also slightly firmer at mid-session, up just 0.50 at 421.24, while the Amex composite was down 0.54 at 386.40, and the Nasdaq composite was down 0.93 at 571.54. Turnover on the NYSE was 98m shares by 1 pm.

Prices opened weaker following the decline in Japan and on news of a 2.8 per cent fall in July housing starts. Analysts had been expecting a modest rise in housing starts, yet the figures confirmed that the housing market remained weak, in spite of the lowest interest rates in almost 30 years.

The market began to recover just before midday as speculation mounted that the Federal Reserve's policy-making Open Market Committee, which was meeting in Washington DC, might respond to continued economic weakness by sanctioning another cut in interest rates. Sentiment was also helped by the generally positive reviews given to the opening night of the Republican convention in Houston – a good convention is required if President George Bush is to have any chance of making up ground in the polls on his Democratic rival, Governor Bill Clinton.

Hewlett-Packard fell $3⅛ to $57½ after the big computer group reported fiscal third quarter profits of 74 cents a share, virtually unchanged on a year ago and at the low end of expectations.

Kroger plunged $1⅞ to $11⅞ in turnover of almost 1m shares after the supermarket and stores group warned that third quarter earnings per share, excluding charges, will only just break even. At the same stage a year ago Kroger made a pre-charge profit of 18 cents a share.

Caesar's World firmed $⅞ to $33⅛ on positive comments by the broking house, Oppenheimer, and the release of promising second quarter earnings by the Casino Association.

On the American Stock Exchange, American Exploration jumped $⅝ to $2⅞ in active trading after a joint venture in which the company holds a 40 per cent stake discovered oil at its first exploration well in Tunisia.

On the Nasdaq market, Dell Computer rose $2 to $25¼ after reporting second quarter net income of 57 cents a share, up sharply from 34 cents a share a year earlier.

Durr-Fillauer rose $1⅝ to $33⅞ after Bergen Brunswig settled litigation with Durr and raised its bid for the company from $26 a share to $33 a share.

Canada

TORONTO weakened slightly on political uncertainty, over the Canadian constitution and the progress of the US Republican convention. The TSE 300 composite index was 5.4 lower at 3,374.4 at midday as declines led advances by 193 to 181 in turnover of C$126.9m.

Nova Corp was flat at C$8¼, Westcoast Energy firmed C$⅛ to C$16⅜, MDC Corp class A rose 3 cents to 51 cents and Southam gained C$¼ to C$16⅞.

SOUTH AFRICA

DE BEERS, Anglos and Richemont led the declines in Johannesburg, as the overall index fell 33 to 3,140 and industrials dropped 20 to 3,983. Golds lost 22 to 942 on a weaker bullion price.

EUROPE

Mannesmann falls 11 per cent on interim results

AFTER initial weakness following the fall in Tokyo, Mannesmann's first-half results reminded bourses yet again that events this summer have rarely met expectations, *writes Our Markets Staff.*

Depressed by start-up losses in its mobile telephone business, and confused by the impact of extraordinary items, Mannesmann's interims might not be as bad as they first appeared.

However, after earlier progress reports from Hoogovens, SKF, Peugeot and Michelin, analysts will be looking carefully at Daimler, Volkswagen, Volvo and Daf when they come up for consideration next week.

FRANKFURT more than wiped out two hesitant days of gains with a 1.4 per cent fall, the DAX closing 22.20 lower at 1,533.22. Mannesmann dropped DM29.10, or 11 per cent, to DM238.20 and other German shares, particularly in the engineering and steel industries, followed suit.

Analysis of the Mannesmann interim results went to extremes. On the face of it, profits plunged to DM15m from DM134m; but on one reading, excluding the mobile phone business, and extraordinary profits in 1991, they could actually have shown an increase. London took this with a pinch of caution, quoting the shares at DM240.50 in the post bourse close.

Turnover stayed low, rising from DM3.7bn to D,3.9bn. Among other engineers, MAN fared particularly badly with a fall of DM15.90 to DM293.60; among the few advances, Lufthansa's DM5 rise to DM98 followed a long journey down, and the DAG union's offer of a DM500m cost saving package on Monday.

Siemens fell DM8 to DM603.40. Its Siemens-Nixdorf said yesterday that it planned to cut 6,000 jobs by 1994/95, but dealers said there was no real impact on the share price from the news.

PARIS had another quiet day as turnover improved slightly to FFr1.23bn. The CAC-40 index fell 20.59 to 1,736.72.

Paribas fell FFr11.60 or 3.7 per cent to FFr304.40 after saying that the issue of 12.5m new preference shares in Ciments Français last month was badly received by the market and that it would end up with more than the 20 per cent stake in Ciments Français that it planned to hold following the operation. One analyst added that fears that Paribas would have to make further provisions for its property interests also weighed on the stock.

The insurer Gan dropped to a low of FFr321.20 on news that S & P-ADEF, the French office of the US credit rating agency, Standard & Poor's, had downgraded the domestic debt of CIC, Gan's banking subsidiary. It closed FFr7.50 lower at FFr345.

S & P-ADEF also said that while Gan's more active role in the running of CIC and the potential synergies between the two groups were positive elements for the quality of CIC's credit, it also noted that the current restructuring process was a lengthy task which had not yet resulted in a real improvement in profitability.

AMSTERDAM ended broadly lower as the CBS Tendency index fell 1.6 to 112.1.

Hunter Douglas dropped Fl 3.60 to Fl 56.00 as investors anticipated disappointing first-half earnings data. After the close Hunter Douglas announced a first-half net profit decline of 44 per cent to Fl 23.2m.

The chemical sector was also weak as Akzo lost Fl 1.70 to Fl 145.60 and DSM slipped Fl 1.30 to Fl 101.40.

MILAN failed to continue Monday's technical rebound and closed broadly lower in thin volume, which traders estimated at near Monday's paltry L46.2bn. The Comit index fell 2.66 to 400.77.

All sectors showed losses, with industrial stocks hit the hardest. Fiat lost L65 to L4,145 while Montedison slid L17 to L1,119. Olivetti lost L63 to L2,317 while Cir lost L15 to L1,200.

ZURICH regained some ground as the SMI index ended down 11.6 at 1,788.6. Chemicals were mixed, Ciba-Geigy holding steady ahead of its imminent half-year results, but Sandoz registered shedding SFr60 to SFr2,810.

STOCKHOLM fell 1.5 per cent in thin trading as the Affärsvärlden General Index fell 12.4 to 808.3 in thin turnover of SKr341m. Ericsson was the most active issue ahead of its first-half report today. Its B shares fell SKr2 to SKr114.

The banking sector, already the scourge of the Nordic equity markets, caused more trouble elsewhere in Scandinavia. In **COPENHAGEN**, as the CSE index fell 1.39 to 296.09, Unidanmark dropping DKr5 to DKr145 on a DKr1.48bn pre-tax, half-year loss.

In **OSLO**, the all-share index fell 6.61, or almost 2 per cent to another new low of 345.69, hit by big losses at Den norske Bank. Norway's biggest bank dropped to a new all-time low of NKr4.2 before closing at NKr4.3, down NKr1.2.

HELSINKI, meanwhile, saw a 4.4 per cent drop in the bank and finance house index as the Hex index closed 4.6 lower at 650.5. Bank shares fell on general concern about the sector, which has been hit by large loan losses.

BRUSSELS closed mixed in moderate trading, as the Bel-20 index ended just 0.71 down at 1,092.74. Petrofina remained weak, losing another BFr120 or 1.3 per cent to BFr9,320.

ISTANBUL's 75-share index lost 24.92 to 4,052.06 as investors stayed away from the market.

FT-SE Eurotrack 100 - Aug 18

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
1035.34	1036.12	1035.91	1035.56	1036.12	1036.89	1036.26	1035.74

Day's High 1037.31 Day's Low 1035.17

Aug 17	Aug 14	Aug 13	Aug 12	Aug 11
1045.00	1042.13	1035.59	1037.76	1044.92

Base value 1000 (29/10/90)

ASIA PACIFIC

Nikkei drops 4.2 per cent to another six-year low

Tokyo

SHARE prices plunged on small-lot selling by individuals and short-selling by dealers, and the Nikkei average dropped 4.2 per cent to another six-year low, *writes Emiko Terazono in Tokyo.*

The index fell 620.14 to close at the day's worst of 14,309.41, the lowest level since March 1986. It opened at the session's high of 14,909.57 and declined steadily on arbitrage unwinding and small-lot selling.

Volume picked up slightly from 141m shares to 170m. Traders said institutional investors remained on the sidelines. Life insurers said the risk of further declines in share prices remained. "We cannot start buying when we do not know how much further the market has to fall," said an official at Nippon Life.

Declines led advances by 801 to 131, with 128 issues unchanged. The Topix index of all first section stocks lost 30.01 to 1,102.50, but in London the ISE/Nikkei 50 index edged up 1.02 to 907.90.

New worries about corporate earnings prompted a fresh round of selling yesterday; there were fears that companies in the high-technology sector may revise their earnings forecasts downwards.

Heavy selling pulled Sony down Y230 to Y3,560 and Pioneer Electronic Y290 to Y2,670. The two groups report quarterly corporate earnings today, and fears that profit figures would be sharply lower than originally forecast depressed share prices.

Other electricals were also weak, with Hitachi sliding Y34 to Y718 and Toshiba Y17 to Y547. Traders noted short-selling by investors and dealers.

Nippon Housing Loan, the most active issue of the day, advanced Y27 to Y167. The home-loan company announced that its leading creditors had agreed to reduce interest payments on the company's loans.

Non-life insurers were firm on bargain hunting by foreigners. Tokio Marine & Fire put on Y20 to Y1,000 and Yasuda Fire & Marine Y17 to Y672.

In Osaka, the OSE average finished 427.38 lower at 15,537.22 in turnover of 13.4m shares. Individual investors facing margin calls sold high-priced issues to raise cash. Ono Pharmaceutical fell Y350 to Y4,830 and Nintendo shed Y230 to Y9,550.

Roundup

FURTHER weakness in Japanese equities left markets in the Pacific Basin mixed, but fairly subdued.

AUSTRALIA closed with pared gains, the All Ordinaries index finally standing 6.0 up at 1,565.0 after an intraday peak of 1,568.7. Turnover totalled A$186.8m.

The feature of the market as it waited for the federal budget, due to be announced after the close, was the debut of the rights stock to Westpac's share issue, which closed at 4 cents after peaking at 7 cents in the morning. The old shares ended a cent above the issue price at A$3.01.

Australian Provincial Newspapers sank 13 cents to A$1.37 after saying it would be difficult to achieve full-year profit estimates. News Corp firmed 22 cents to A$23 as speculation continued that its forthcoming results would be positive and that the company might be considering a share split.

HONG KONG held its ground in spite of rumours that Mr Li Ka-shing's Cheung Kong was placing 200m new shares. Cheung Kong slipped 20 cents to HK$23 but the Hang Seng index finished 7.31 higher at 5,675.16 after earlier receding to 5,621.70.

Trading was generally quiet with turnover at HK$2.52bn, but above the previous day's HK$2.26bn.

SEOUL saw initial gains eroded, but still ended higher, after rumours about a political role for Daewoo Group chairman Kim Woo-choong had dampened sentiment. Most Daewoo issues went the day's limit down on the rumours. The index ended a net 2.82 up at 464.95 in turnover of Won170.6bn.

NEW ZEALAND managed, for once, to rise without help from Fletcher Challenge (FCL), which closed a cent easier as the NZSE-40 index registered a rise of 10.16 at 1,501.21.

FCL, due to report its annual results today, expects a NZ$155m loss. Telecom, with first-quarter results scheduled for release tomorrow, added 4 cents at NZ$2.32.

TAIWAN was lifted off the day's lows by bargain hunting, and the weighted index, down 49 points at one stage, settled 11.57 off at a closing 19-month low of 3,772.91. Turnover was thin at T$17.25bn.

SINGAPORE finished at its lowest for this year, with blue chips leading the losses due to foreign selling. The Straits Times Industrial index dipped 23.47 to 1,310.95 in volume of 59.27m shares.

KUALA LUMPUR fell a further 2.1 per cent, the KLSE index closing 12.01 weaker at 556.24. It has fallen 35.94, or 6.1 per cent, since last Friday on persistent selling by fund managers.

KARACHI declined for the fourth straight session in dull trading, as investors stayed on the sidelines. The KSE 100-share index slipped 17.21 to 1,266.89.

Italian volume rises as investors sell

William Cochrane reviews trends in European equity turnover in July

The summer lull notwithstanding, European stock market turnover registered at least two serious changes in trend in July, with Italy showing a gain of 39 per cent over June, and France a 25 per cent fall.

Two things have to be said about swings like these: first that, especially in the case of Italy, they are happening when equity trading activity is at a very low level, by comparison with earlier years; and secondly, with a particular eye on France, that they may reflect less the establishment of a new trend than the return to an old one.

Ms Marie-Christine Keith, an analyst with County NatWest, which produces the turnover figures, says the Italian figures reflect a market demoralised by the sickness of the domestic economy. Over the month the Comit index fell from 450 to 401, having plumbed a new low of 393 in the meantime.

Italian banks, says Ms Keith, were sold quite heavily on their exposure to the Efim state holding company, which was declared insolvent in July; then interest rates went up, leaving an increasing awareness that the banks would be carrying heavy losses on their bond portfolios.

Foreigners were selling as well as domestic investors and, as with banks, it was liquid stocks which were sold. Telecommunications companies, once the safe, or certainly the defensive, way for a foreigner to maintain representation in a vulnerable Milan equity market, were given a caning as foreign holders sold out.

France, on the other hand, had seen its heaviest selling in the month before. It boasted the biggest climb in June volume as a consequence of the heavy liquidation of holdings following the Danish vote against the Maastricht treaty, and President Francois Mitterrand's decision to call an autumn referendum for the French public to back or repudiate his EC policies.

End-quarter options and window dressing at the end of the first half of the year also swelled the French figures. Mr Michael Woodcock of Nikko Securities says the July downturn has been exaggerated by the French allegiance to the summer holiday break. "The market," he adds, "is vacillating at subsistence level."

Germany, which looks as if it had a useful increase last month, has in fact been vacillating itself in a clearly defined up and down turnover pattern since March. Switzerland, on the other hand, accelerated a decline which it began in June.

Mr Frederick Hasslauer of Swiss Volksbank in Zurich says turnover is following share prices down, as well as reflecting the summer low season. This, he adds, could argue that there is less to be worried about in Switzerland than in other depressed markets - that the Swiss inflation scenario is looking better than the German one, which the Bundesbank, clearly, is still worried about.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Apr 1992	May 1992	June 1992	Jul 1992	US $bn
Belgium	51.36	40.80	40.57	34.77	1.14
France	112.17	100.16	134.26	100.18	20.03
Germany	107.90	125.80	109.97	121.51	82.05
Italy	7,457.20	9,747.60	8,594.77	11,975.6	10.70
Netherlands	12.20	14.70	12.00	13.10	7.85
Spain	461.52	513.47	515.35	538.64	5.71
Switzerland	12.48	13.29	12.46	10.88	8.21
UK	41.17	35.35	34.05	34.32	65.85

Volumes represent purchases and sales
Italian data adjusted to include all market trading. Some figures may be revised
Source: County NatWest WoodMac

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY AUGUST 17 1992								FRIDAY AUGUST 14 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	132.97	+1.0	102.36	105.69	101.14	122.31	+0.6	4.46	131.66	[illegible]	105.07	100.52	121.55	153.68	131.66	140.72
Austria (19)	147.23	+4.3	113.33	117.03	111.99	112.11	+4.1	2.61	141.21	109.24	112.69	107.81	107.66	186.70	139.27	154.89
Belgium (42)	141.63	+0.3	109.02	112.57	107.72	105.31	-0.0	5.84	141.16	109.20	112.65	107.77	105.31	152.27	135.87	118.04
Canada (114)	125.97	+0.4	96.97	100.13	95.81	108.96	+0.5	3.20	125.48	97.07	100.13	95.79	108.40	142.12	124.32	138.05
Denmark (35)	231.55	+1.5	178.24	184.06	176.12	177.62	+1.1	1.98	[illegible]	[illegible]	182.15	174.25	175.70	273.94	226.72	232.20
Finland (15)	68.20	-0.1	52.50	54.22	51.88	57.56	-0.2	2.45	68.27	[illegible]	54.49	52.12	57.66	89.80	68.20	89.53
France (104)	157.55	+0.6	121.28	125.23	119.83	122.58	+0.3	3.67	156.56	[illegible]	124.94	119.52	122.24	168.75	148.06	119.11
Germany (64)	116.48	+0.9	89.66	92.60	88.59	88.59	+0.5	2.58	115.49	[illegible]	92.18	88.17	88.17	129.69	114.67	94.15
Hong Kong (53)	234.69	-2.6	180.66	186.55	178.51	233.09	-2.6	3.59	241.07	186.45	192.34	184.01	239.22	259.56	176.36	154.66
Ireland (16)	156.97	+0.8	120.83	124.77	119.39	121.82	+0.3	4.33	155.79	120.52	124.33	118.94	121.48	173.71	151.78	138.30
Italy (78)	63.25	+2.9	48.69	50.27	48.10	52.44	+2.3	3.95	[illegible]	[illegible]	49.07	46.95	51.25	80.86	61.30	64.76
Japan (473)	90.14	+1.1	69.39	71.65	68.57	71.65	+0.7	1.19	89.12	68.94	71.12	68.05	71.12	140.95	87.32	118.23
Malaysia (69)	228.08	-1.7	175.57	181.29	173.48	219.60	-1.7	2.87	232.12	[illegible]	185.24	177.21	223.50	250.47	212.49	189.18
Mexico (18)	1369.70	-0.9	1054.36	1088.75	1041.81	4631.18	-0.2	1.30	1381.55	1068.76	1102.54	1054.77	4641.81	1789.77	1303.41	1130.15
Netherland (25)	163.32	+0.7	125.72	129.82	124.22	122.88	+0.3	4.56	162.16	125.45	129.41	123.81	122.53	167.29	147.88	128.01
New Zealand (14)	43.14	+1.8	33.20	34.29	32.81	42.51	+1.7	5.34	42.38	32.79	33.83	32.36	41.78	48.52	42.01	46.34
Norway (23)	156.17	+0.5	120.21	124.14	118.79	122.20	+0.3	2.05	155.34	[illegible]	123.97	118.60	121.82	192.95	153.28	178.58
Singapore (38)	183.86	-0.2	141.53	146.15	139.84	136.54	-0.2	2.42	184.20	142.50	147.00	140.63	136.75	229.63	183.86	172.09
South Africa (61)	187.49	-0.5	144.33	149.03	142.61	156.87	+0.7	3.25	188.47	145.60	150.40	143.88	155.72	263.60	187.49	232.71
Spain (49)	136.31	+1.2	104.93	108.36	103.68	96.81	+0.8	6.07	134.67	104.18	107.47	102.81	96.05	161.72	133.79	132.34
Sweden (30)	183.71	+0.5	141.42	146.03	139.74	144.82	+0.1	2.84	182.64	[illegible]	145.92	139.60	144.67	200.28	173.09	171.13
Switzerland (62)	111.65	+1.2	85.94	88.75	84.93	91.02	+0.5	2.36	110.31	85.34	88.04	84.23	90.55	113.88	95.99	85.25
United Kingdom (226)	181.32	+1.3	139.58	144.12	137.90	139.58	+0.8	5.25	178.92	[illegible]	142.77	136.59	138.41	200.07	165.85	165.63
USA (522)	171.45	+0.2	131.98	136.29	130.41	171.45	+0.2	[illegible]	171.13	132.38	136.57	130.66	171.13	173.10	160.92	153.08
Europe (790)	145.97	+1.2	112.36	116.03	111.03	112.22	+0.7	4.25	144.30	111.63	115.16	110.17	111.45	156.88	139.31	126.41
Nordic (103)	169.84	+0.8	130.73	135.00	129.18	127.67	+0.4	2.48	168.50	130.25	134.47	128.64	127.11	188.52	167.78	169.14
Pacific Basin (715)	96.36	+0.8	74.18	76.60	73.30	77.67	+0.5	1.58	95.56	73.93	76.27	72.96	77.50	141.97	94.15	119.73
Euro – Pacific (1505)	116.42	+1.0	89.62	92.54	88.55	92.10	+0.6	2.93	115.27	89.17	91.99	88.00	91.55	145.21	113.80	122.68
North America (636)	168.61	+0.2	129.79	134.04	128.27	167.19	+0.2	2.95	[illegible]	130.17	134.30	128.49	166.85	170.31	158.70	152.07
Europe Ex. UK (562)	124.56	+1.0	95.88	99.03	94.76	96.47	+0.6	3.53	123.30	95.38	98.42	94.16	95.91	132.98	121.81	103.58
Pacific Ex. Japan (242)	157.74	-0.9	121.42	125.40	119.99	142.33	-1.0	3.79	159.13	123.10	127.01	121.50	143.73	175.31	149.00	134.60
World Ex. US (1698)	118.29	+0.9	91.05	94.03	89.97	94.43	+0.6	2.93	117.20	90.65	93.53	89.48	93.89	146.91	116.18	124.97
World Ex. UK (1992)	130.95	+0.5	100.80	104.10	99.61	115.67	+0.4	[illegible]	130.27	100.78	103.97	99.47	115.25	150.58	127.21	130.45
World Ex. So. Af. (2159)	135.01	+0.6	103.93	107.33	102.70	117.51	+0.4	2.93	134.17	103.79	107.08	102.44	117.03	153.05	130.04	132.85
World Ex. Japan (1747)	160.30	+0.5	123.39	127.43	121.94	144.55	+0.3	3.44	159.56	123.44	127.36	121.84	144.09	165.40	153.20	142.88
The World Index (2220)	135.30	+0.6	104.15	107.55	102.92	117.88	+0.4	[illegible]	134.47	104.03	107.32	102.67	117.40	153.70	130.66	133.51

Constituent change with effect 19/8/92: Deletion: Total (Certificates) (France). Latest prices were unavailable for this edition.
Belgian market closed August 17.